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A

# REVIEW

OF THE

## BANKING SYSTEM OF BRITAIN;

WITH

## OBSERVATIONS

*ON THE INJURIOUS EFFECTS OF THE*

## BANK OF ENGLAND CHARTER,

AND THE

GENERAL BENEFITS OF UNRESTRICTED BANKING  
COMPANIES.

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1821.



## PREFACE.

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LITERARY Critics, to use their occasional language, must find it impossible to *wade through* the following *dry* remarks on mere business topics. Any preliminary address *to them*, in the usual apologetic or propitiatory strain, would, therefore, be superfluous ; but, to prevent all unfounded suspicions of sinister motives, or concealed *Banking* influence, the author considers it proper to declare, that not one word of these observations, or of the letters therein mentioned, was written with the advice or co-operation of any other person—that he is uninfluenced by *prejudices* for or against the institutions and parties alluded to—and that his own probable interest might rather have led him to desire the perpetuation of Banking restrictions in England.

*November 3, 1821.*

## E R R A T A.

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Page 38, line 16, for *on this point read of a similar nature.*  
93, 8, for *partnership* read *partnerships.*  
115, 8, for *loses* read *losses.*  
127, 23, for *diminutions* read *diminution.*  
131, 25, for *maintan* read *maintain.*  
146, 2, for 1813 read 1810.  
164, 1, for *drawer* read *drawee.*  
176, 4, for *of* read *augmenting.*

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Speedily will be Published,

BY THE SAME AUTHOR,

A REVIEW OF THE BULLION QUESTION,

AND

DEFENCE OF ABSTRACT CURRENCY.

**OBSERVATIONS  
ON  
THE BANKING SYSTEMS  
OF  
ENGLAND AND SCOTLAND.**

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IN 1819 I addressed a Letter to LORD CASTLE-REAGH, pointing out, in detail, the various consequences and apparent impolicy of the regulation, which has hitherto prevented Banking Companies in England from comprising more than six partners in each, with the single exception of the Bank of England ; and, subsequently, sent another to LORD LIVERPOOL, requesting he would lay it before the Parliamentary Committee,—then investigating the effects of legislative restrictions on trade,—provided he thought the consideration of Banking restrictions could be regularly entered upon by that committee ; to which his Lordship replied, that these limitations did not come within the range of their inquiries. A short

time afterwards, Lord Liverpool effected the repeal of a similar law in Ireland \* ; and every well-wisher to British interests will rejoice to see the same liberty speedily extended to *England*, where the importance of a secure Banking system is still greater, in proportion to its larger pecuniary transactions.

In the hope of directly or indirectly contributing to the ultimate emancipation of the English Banks, from the injurious restriction in question, I again snatch a few hours, during very short intervals of leisure from business, to offer to *public* attention, the following outline of the letters alluded to ; trusting to be excused for any defects which may have arisen from want of *time* to connect or condense this *contrast* of restricted and unrestricted Banking Companies, in the manner which might be desirable.

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Much has been said and written, of late years, on the impolicy of restrictions on trade, yet, somewhat unaccountably, the frequent and ruinous failures of English Banking Companies, have not, so far as I know, produced

\* See Note A.

any motion in Parliament, for the abrogation of the law which, up to this time, has confined the *number* of their partners to *six*; and notwithstanding that the striking superiority and general advantages of *unlimited* Banking Copartneries in Scotland, have been long acknowledged, the richest, and by far the most populous and important portion of Britain, has been left exposed, *since 1694*, to all the disadvantages of a contrary system. The exclusive right obtained, in that year, by the Bank of England, entitling it to be composed of *more* than six partners, appears to have been granted under the most mistaken notions of trade and of national interests, and the remark is still more applicable to the less excusable renewals of the charter in more enlightened times. The ascendancy acquired, in consequence, by the Bank of England, is sufficiently known; and such are the prejudices with which we are apt to view evils of long standing, that it has been a favourite project with some persons in Parliament, to prohibit *provincial* Bank issues *entirely*, as a *remedy* for the disorders and losses originating in the restriction they labour under as to partners; and instead of abolishing one of the most absurd and pernicious monopolies of the seven-

teenth, these legislators of the nineteenth century, would thus voluntarily have offered still greater powers and immunities to the Bank of England proprietors, than they ever dreamt of asking. Lord Liverpool, when lately recommending the abolition of the Bank of Ireland's exclusive privileges, is reported to have assigned as a principal reason, for so doing, the similarity, he stated to exist, betwixt the present want of capital in Ireland, and that want of it in Scotland, which rendered it unadviseable when the Bank of Scotland was instituted by Act of Parliament to adopt a similar limitation, as to Banking partnerships north of the Tweed, thereby implying that the Scotch Banks have only escaped subjection to this limitation all along from the national poverty. His Lordship seems certainly to have meant by this, to say, that the average wealth of individuals was not such, in Scotland and Ireland, as to enable any six of them, in general, to conduct Banking business with safety to the public, but that the greater individual wealth existing *in England*, rendered *more* than six partners *there, superfluous.* But, in this argument, he appears to forget, that if individuals are richer, on

the average, in England, than in the sister kingdoms, its Banking operations are proportionally more extensive; or, in other words, that 100 Banking Companies, with an average capital of £50,000, and no more than six partners in each, might conduct the money transactions of Scotland, as safely as 400 Banks, with an average capital of L.100,000 each, and the same number of partners, could manage those of England. His Lordship seems, also, to have forgot the appalling fact, that in 1814, 1815, and 1816, no less than 200 of the English Banks stopt payment; a recent and unanswerable refutation of all *theories* on the blessings of Bank monopolies or restrictions in England, whether adopted from the interested views or mistaken ingenuity of their supporters. There are, however, apparent *obstacles* to the *instant* removal of the evil in question. The government itself, seems to be strangely impressed with a notion of its own dependance, in some respects, on the Bank of England; and however independent it *really is*, of *any Bank whatever*, the proprietors of the Bank of England may, probably, strive to promote and strengthen any such erroneous ideas, as may be calculated to retard

the curtailment of its overgrown monopoly. Some people appear to expect, that they would, *at once*, imitate the example of the proprietors of the Bank of Ireland, who, *unanimously*, gave up their exclusive rights, on the very first recommendation of government, even, it is understood, to the permission of unrestricted Banking Companies *in Dublin*. But I rather suspect the Bank of England will oppose, more or less directly, the establishment of unrestricted Banking Companies in the English *provincial* towns, before the expiry of their present charter; and that, at all events, they will most strenuously resist every attempt to establish, either now or in future, that equitable and free competition, which ought to exist in the Banking business of the first commercial *city* in the world. The present Bankers themselves, may possibly be found opposing their own liberation from the restrictive enactment as to partners. These gentlemen might, no doubt, become, in many instances, connected in the proposed unfettered Banking Companies; but it is almost unnecessary to observe, that the loss of the individual consequence they now enjoy, in various respects, and the reduction in their present

gains would be severely felt by them, whether they became partners or not in future companies having a numerous body of proprietors. At this moment, they possess considerable weight in the election of members of Parliament, and with many of these members directly or indirectly concerned with them in trade, and many more, perhaps, under pecuniary or other obligations to them, it is not altogether *improbable*, that Bankers, if so inclined, would find parliamentary defenders of the *present* system. Many Bankers are also large holders of *Bank of England Stock*; and if their own *local* or more immediate interests were even unaffected by the repeal of the restriction, they might still dread its ultimate effects on the Bank of England itself. Various members of the government, and of Parliament, may be similarly situated, and therefore less disposed to enter with zeal upon improvements, they might imagine, likely to injure themselves. Ministers, even after proposing the repeal in Ireland, may, also, amidst the refinements of modern *calculation*, become somewhat alarmed at the prospect of so many *democratic-looking* institutions as unlimited Banking partnerships in every Eng-

lish county ; under the impression, that the influence which, at present, secures the return of some of their supporters in Parliament is partly connected with, and dependent on the continuance of the existing restriction. The extent, indeed, of Bank influence is, perhaps, more felt than acknowledged by all parties, in political matters ; and the present administration may find it easier to obtain the favour or support, in this respect, of one of the present provincial Banks, whose partners are frequently collectors of taxes, &c., than of one with four or five hundred partners. At present, in towns where there is only one Bank, the leading partner may start, as parliamentary candidate, himself, or support some particular friend as such ; and it is *possible*, he may indulge a degree of pique or animosity against individuals, whose votes he does not obtain, which they might have been unexposed to, had they merely voted against a Banker (or his friend), who had three or four hundred partners, many of them differing in political sentiments from himself, and all less interested, at any rate, in *his canvass*, than in the fair and impartial administration of the *Bank*. The influence of Bankers, in such elections, has been often

matter of regret ; and instances of their political interference have occurred in Scotland, which not only subjected them to the castigation of the periodical press, but also sent some of their customers to Banks with more numerous partners, where no bias, for or against individuals, on account of their political opinions, would be tolerated, and whose example every honest man must wish to see imitated. Whatever may be the ministerial obstacles to the removal of the restriction, they will disappear before the expressed desire of the public, as must, *ultimately*, all those started by the Bank of England, or the existing Banks. In the meantime, if the power acquired by the Bank of England should prevent the *immediate* establishment of unrestricted Banking Companies *in London*, it surely will not be allowed to retard the enlargement of *provincial* Banking partnerships. The latter step could not materially or at all affect the ultimate interests of the Bank of England, as the augmented money operations in the provincial districts, originating in the extension of partners in their Banking Companies, would be accompanied by such a corresponding augmentation of trade in London, as would probably enlarge the metropoli-

tan circulation of the Bank of England to an extent fully compensating any *reduction* in the present *reserves* of its notes by provincial Bankers, which might follow the formation of steady and respectable Banks, less exposed to sudden demands or “*runs*” than many of the existing establishments. The most serious opposition, therefore, of the Bank of England, is likely to be reserved for any attempt to establish proper rival Banks in *London*; and to delay this as long as possible, the proprietors may probably offer to waive their rights under the present charter, so far as to allow unrestricted *provincial* partnerships *immediately*, or before 1833, when the charter expires, provided it is renewed to them for 20, 30, or 40 years, giving them the *exclusive* circulation of *London*. It would be easy, however, to *evade* the operation of the law, which at present entitles the Bank of England to call on government to prohibit Companies with more than six partners carrying on banking business in England. Some of the Scottish Banks, finding their paper preferred in the north of England to that of several of the English provincial Banks, have *indirectly* carried on business in Carlisle, Newcastle, Berwick, Alnwick, &c.; but finding they

could not do so with the requisite advantages and security, it was proposed, some years ago, to six of the most respectable partners in an Edinburgh Bank of large capital, that they should, on their own account, and in their own names, transact banking business at Berwick, under the *guarantee* of the Edinburgh Bank ; and, as they could have issued its notes, they would have had the benefit of the guarantee, and the Bank of the circulation, without incurring those mutual risks, as to all losses, and obligations to divide profits, which may constitute such a direct *partnership* as the Bank of England might perhaps be only found entitled to challenge. Although this project was not carried into effect, it *might* have been ; and another more general mode of evading the effects of the restriction could be found in the extension of the practice which is sometimes followed by merchants, shopkeepers, &c. giving public intimation of their readiness to take, in all payments, the notes of a Bank suffering under a “*run*” at the same moment, or to guarantee the payment of such notes to a certain extent. A gentleman in the north of England, with whom I have corresponded on this subject, was so impressed with this method of counteracting the injurious ef-

fects of the Bank of England charter, as to have seriously intended the formation of a Banking Company with not more than six partners, but *permanently* guaranteed by respectable individuals, to a fixed extent each; and, as little or no interest is allowed by many English Banks on the current accounts of their customers, I recommended to him, that he should propose an allowance of three, four, or five per cent. interest on all sums under a certain amount, deposited with the Bank by its guarantees, as an inducement to their becoming such, which could not render them *partners*.

It is probable, therefore, if not instantly abolished, that the restriction will be so *evaded*, in a short time, as to render the remaining twelve years of the Bank's charter less remarkable for provincial Bank failures than any similar period of the last forty years; and it would be highly impolitic, with *this* prospect, to enter into any *compromise* at present with the Bank of England, which, in securing the *immediate* establishment of unlimited *provincial* copartneries, might saddle the *metropolis* with its monopoly still more completely during the next half century. Although a decided admirer of the principle in

Banking, (accidentally stumbled on through the government necessities in 1797,) viz. that at least *one* great Bank in the country should be exempted from *specie* payments, I cannot discover any good reason for also conferring other exclusive privileges on this Bank, in addition to such exemption, nor any greater reason, even when this *principle* is departed from, and metallic payments *resumed*, why only *one* Bank in *London shou'd issue notes*, and no *other* Bank in or out of London be allowed *to have more than six partners*.

In every view, it would be better for the public to offer an *indemnity* to the Bank for the *instant* and *total repeal* of the charter than to enter into any modified renewals of it, which might prolong their monopoly of the London circulation, or at least prevent the establishment there of unrestricted Banks. In judging of this indemnity, we ought to remember, that the Bank of England, if *unchartered*, would still enjoy the great advantages of an *immense capital*, long experience, and unbounded credit, in competing with *new* rivals, and that the prejudices of the public would operate long against the *latter* ;—that at present the charter does not secure them absolute-

ly against rival issuing Banks in London, Lancashire, &c. where their circulation is most extensive, and, consequently, that the indemnity should be regulated, *not* by the extent of their circulation at present, but by its *probable amount*, were respectable local Banks to *issue notes* in Lancashire, and others to do so in London, even under the present restriction. It would be no difficult matter, perhaps, to find 120 individuals who might have the inclination and ability to embark £100,000 each in Banking, or 12 millions in all, so as to form twenty Banks with six partners, and a capital of £600,000 each, all issuing notes *in London*.

The 60 or 70 non-issuing Banking Houses already established there, must have an aggregate capital equal, at least, to the above sum of 12 millions, however unequally held by individuals ; and if some regulations could be put in force to secure the public against any one of the above proposed Banks in London, commencing or continuing business with inadequate funds, there is abundant capital already amongst the private Bankers *collectively*, for the formation of such *issuing* Banking Companies, without calling in the aid of other capitalists.

If apprehensions were still entertained, that with such respectable, although restricted, partnerships the public or Bank of England might attempt to run one or more of the number down, these Banks could enter into an understanding to aid each other, in such cases, either by money or credit, which could be easily effected without the smallest risk to any of them, under proper arrangements.

It is owing, perhaps, to the want of preconcerted plans for mutual support, that none of the wealthy capitalists of London and Lancashire, have hitherto availed themselves of the power to issue notes ; but whatever may be the cause, the probable *additional* circulation enjoyed in consequence by the *Bank of England*, must certainly be deducted from any claim for indemnity on the *present* total amount of its issues, which might *accompany* an abandonment of the charter. It should also be remembered, that the Bank's circulation is now much greater than when *coins* were more in use ; and after its accumulations of part of the immense gains it has derived from the restrictive act of 1797 \*, and its connection with government, there would be no injustice, even to the present proprietors, in

\* See Note B.

offering, under all these considerations, a comparatively moderate compensation, were they to abandon the charter at the present moment. If it was estimated that, *by issuing notes*, the *restricted* Banks of London and Lancashire could *diminish* the *Bank of England's* circulation, to the extent of 10 or 12 millions, and that, by the greater use of *coins*, other 5 or 6 millions could be reduced, too high a remainder for the Bank to claim indemnification upon would still be left, as it should be kept in view, that much of their circulation is derived from its transactions with government, which might be transferred to, or divided amongst, some of the proposed *issuing* London Bankers, and also, that the *reserves* of Bank of England notes, presently kept by provincial Banks, could be materially *lessened* by various methods tending to give the public greater confidence in these establishments, even *before* they may be *freed* from the existing restriction.

After all these allowances, and recollecting that the abandonment of the charter does not prevent it carrying on a great business, the public and the proprietors may consider £150,000 or £200,000 a year, a fair indemnity for the remaining currency of its charter, were the

Bank now to give it up. This sum is indeed so near the bonus given *for* the charter, viz. the permanent lodgment with government of the Bank's capital of £11,686,800, and a loan of 3 millions, both at an interest of 3 per cent. that is from 1 to 2 per cent. below the average market rate ; that it may fairly be considered as nearly what the *Bank* considers it *worth* ; although, at same time, it is probable, from the general price of exchequer bills, that government is not actually benefited so much as 1 or 2 per cent. by taking this loan of 14 or 15 millions from the Bank of England, instead of trusting to its obtainment from other sources.

The next question is, where are the means of paying this indemnity ? To this it may be replied, that great savings are *still* practicable in the management of the national debt, the lodgement of public balances at interest, the mode of obtaining anticipations of the revenue, &c. especially under an unlimited competition amongst uncontracted Banking Companies ; and we ought also to recollect, that if the present taxes did not become more productive from the *stimulus* the industry of the country might receive from improvements in Banking, a slight participation in the profits of supplying

the circulating medium, or an additional stamp duty, on the notes of future unrestricted partnerships, could *easily* enable government to pay this small annual indemnity for ten or twelve years ; but wherever the funds are to be found for this purpose, it will not surely be maintained, that the whole 50 or 60 millions of taxes, annually raised in Britain, are so carefully collected and expended, that this paltry sum cannot be saved out of them ; or that a nation, whose resources are indicated by this enormous amount of taxation, is so reduced, that it must patiently submit to the deep-rooted and wide spread evils of a barbarous and antiquated monopoly law, from sheer inability to indemnify the monopolists for dispensing with its operation. I shall not here enter into any minute examination of the history of the Bank of England, nor attempt to scan the motives, information, or accuracy, of some of its advocates and defenders at proprietary meetings, &c. The Bank has been very prudently conducted for the benefit of the proprietors in all its transactions with *individuals*, and whatever may be said to the contrary, by the directors or proprietors themselves, they would think it a poor compliment to their arithmetical powers,

if a neutral person maintained, that they had not displayed equal calculation and perception of self-interest, in their arrangements with *government*. On the contrary, it is notorious that their connection with government has been the main source of their profits; and if it is correctly alleged, that their mercantile discounts have seldom exceeded 5 or 6 millions, and so fastidiously granted, as to reduce their average loss, by bad bills, to £3 per million, these are by no means convincing proofs of sufficient anxiety in a Bank, possessing a circulation alone, of 28 to 30 millions, and indebted for so many other advantages to the nation, to reciprocate these benefits, as far as possible, by the most liberal accommodations to the mercantile part of the community. So little benefit, indeed, appears to have been felt from its operations, that, at various periods, proposals have been made for the establishment of one or more rival issuing Banks in London; and, amongst other pamphlets published for the promotion of that object, I understand Mr Maryatt's is well deserving of perusal.

The rule of the Bank of England to reject bills, having more than sixty days currency, and the other difficulties of obtaining regular and

liberal discounts there, have induced the greater number of merchants, &c. in London, to transact exclusively with private Bankers, who charge commissions on their accounts, and although some of the latter may re-discount, occasionally, at the Bank of England, the amount seems to be included in the above-noticed total of the Bank's discounts, and, consequently, must be comparatively limited. The government is in reality equally independent of this Bank, with the great body of traders; and, notwithstanding all that has been said respecting the non-payment of the debt due to it by government, the repayment could be easily effected in a few hours after any announcement by ministers, that other capitalists were wished as creditors of the public, for the amount, in lieu of the Bank of England; and the only result of paying this debt to the Bank, would be the employment of a large sum by it in general discounts, &c. which the capitalists alluded to are now employing in similar channels.

The country that has expended 2000 millions since 1793, in its wars and in payment of the interest on its debt, &c. and whose *real annual income* is estimated at 5, 6, or 7

*hundred millions*, must be entirely independent of any Banking Company, whether its capital is 15 or 50 millions ; and, however desirable and convenient it may be to have companies of such solidity in this great commercial nation, they ought always to remember in their dealings with government, or even with individuals, that establishments of equal or superior solidity could be formed at a days notice, whenever the public becomes convinced that they are wanted. If the Bank of England proprietors could be imagined so foolish, as to threaten the dissolution of the concern, unless its charter was *renewed*, the public need not be uneasy, even if this threat was carried into effect ; for, under free competition, we may rest perfectly assured, that the original capitals and subsequent management of their successors in London would always present the most satisfactory security ; and, however vast the extent of their transactions, that the same causes which produce, in the unobstructed course of affairs, institutions of all other kinds proportioned to the functions they have to discharge, would call into existence Banking establishments fully adequate to our highest future wants or wishes. It should be kept in

view, that although the Bank proprietors have been just supposed entitled to accept or reject any indemnity offered them—from the desire of preventing loss to those who have more recently purchased stock, at high prices, in the chance of the charter remaining unobjected to, until its expiry—still the public good must have been the *ostensible* ground, at least, for granting it originally; and though no formal clause to this effect may have been considered necessary in the charter itself, it may, perhaps be presumed, that in law and equity, the government or the public can insist on the discontinuance of the monopoly, whenever they may discover it to be unproductive of the beneficial consequences to society, the expectation of which could alone sanction its formation, and subsequent existence. I may have another opportunity of recurring to this subject in examining the bullionist theories of currency, and shall therefore leave it to give a brief outline of the Scottish Banks; and, although their capitals and operations may appear extremely insignificant *in amount*, to many in *Threadneedle Street*, I trust the *public* attention will be more directed to the *principle* they are founded on, and to its

probable effects, if recognized in the formation of English Banking Companies. The Bank of Scotland was established under an Act of Parliament in 1695, by William Paterson, who, about twelve months before, had founded the Bank of England, (in which it is said, no other Scotsman has been since allowed to hold the office of director;) but it appears that Scotland was then thought to present so limited an opening for Banking, that the charter of this Bank did not prohibit, like that of its great predecessor in England, the establishment of rival companies with more than six partners, and its projectors do not appear to have anticipated the rapid approach of the period when it would be found unable to conduct the whole Banking business of Scotland.

This period is indicated by the commencement of the Royal Bank of Scotland in 1727, under a royal charter. The British Linen Company was incorporated in 1746, for the promotion of the linen manufacture, but, having been exclusively engaged for many years past in Banking operations, it some time ago, after a keen opposition from the two Banks already noticed, obtained a charter as a Bank. Its

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capital is half a million, and that of the Royal Bank, and Bank of Scotland, one million and a half each. The partners in all the other Banks in Scotland are jointly and severally responsible for their engagements ; but, in the three chartered Banks, the liability of individuals is limited to their shares of stock.

The chartered Banks and their branches were for some time sufficient for the Banking business of so poor a country as Scotland then was, but as trade, agriculture, and manufactures, became more extended, other respectable Banks were established, and their numbers have since kept pace with its increasing wealth and population. Several of these *unchartered* Banks in Glasgow, Aberdeen, Montrose, Dundee, Perth, Cupar, Leith, and Dunbar, are composed of a numerous and wealthy body of proprietors ; and one of them established in Edinburgh, about 10 years ago, with an original capital of £600,000, has nearly six hundred partners. The whole Scottish Banks are, almost without an exception, in equally good credit ; and, although some have only four, five, or six partners, they are, and must be, more respectable and trust-worthy than many of the English Banks, being obliged to com-

pete in public estimation with establishments possessed of very considerable capitals, and enjoying unlimited *credit* from the numbers and circumstances of their partners. Some of these more limited partnerships, in Edinburgh, Glasgow, Greenock, Paisley, Stirling, Ayr, &c. stand so deservedly high, that they either engross a great share of the Banking business, where they are opposed to companies with a more numerous list of proprietors, or are left in the undisturbed possession, at their head-offices, or branches, of the business of a town or district. In England, on the contrary, the restriction as to partners appears to have introduced *a lower standard*, by which the relative credit and respectability of its provincial Banks is measured ; and fully admitting the great wealth and high character of many of those Banks, still it is well known, that a great number there have obtained tolerable credit, because less openly engaged, perhaps, than some of their neighbours, in mercantile concerns, who could not have commanded an equal degree of public confidence in Scotland. The fluctuations in the English Banks, can be traced in the annexed table of the licences to issue notes taken out for eight years. In 1812 there were 761

Banks licensed, and in 1817 only 576. In Lincolnshire, 23 in 1814, and only 9 in 1816; in Leicestershire a reduction from 13 to 8, appears betwixt 1814 and 1815; and similar variations occur in most of the other counties. In the table for Scotland, for the same period, also annexed, the very slight changes are almost confined to Bank *Agencies*. Exclusive of the partners in the three chartered Banks, who are very numerous, these tables shew, that the unchartered Companies in Scotland have nearly as many partners as the whole provincial Banks in England; and it is somewhat remarkable, when six partners are legally allowed, that the average number in the English firms does not appear to exceed three in each; but this may probably arise from their *Agencies* being included in the table as *Banks*, no notice being taken of the former. The largest, as well as the smallest of the Scottish Banks, receive any sum, upon *interest*, at three or four per cent., exceeding five or ten pounds, repaying, when required, the whole or part of such deposits, free of all charges of commission, and in many cases, in sums so low as one, two, or three pounds, to the humbler class of depositors; these sums being generally

lodged on what are termed "Interest Receipts." *Note*  
When partial payments are wished, the depositor or holder presents the receipt, bearing the depositor's indorsation, and the Banker marks on the back thereof the sums so paid, taking an acknowledgement, at same time, from the person presenting it, for the amount. When the *interest* is wished on these receipts, a new or "Renewal Receipt," is generally granted for the principal sum, and the old receipt, bearing the indorsation of the depositor, is cancelled. The interest is paid as often as is required, but this is not usually more than once or twice in a year, unless the deposits are unusually large. In some parts of England I understand, no interest receipts are granted, but all sums are placed to the depositor's credit, in current account, *subject to a commission*, and re-drawn by cheques on the Bank, a plan both inconvenient and expensive for small depositors, and rather calculated to induce them to lodge money with private persons, for the sake of a higher interest, free of commission, though attended perhaps with greater risk. Almost every inducement to accumulation and industry, attending the *Saving's Bank* scheme, has been virtually felt in the encouragement to

small deposits and money operations, thus held out, all along, by the Banks and Bank branches in Scotland ; and when we recollect that most of these companies have numerous partners and large capitals, we must acknowledge that, under proper management and free competition, inactivity, and an unaccommodating spirit are not the inevitable accompaniments of extensive Banking establishments.

There are few branches of trade so peculiarly fitted, indeed, as that of Banking, to be conducted, under free competition, by the committees of a large body of proprietors ; and the past gains of most of the Scottish Banks sufficiently prove, that, amidst the vast advantages the public has derived from them, they have never lost sight of their own interests. Their original stock, in most instances, is selling at an advance of 50, 100, 200, 300, or 500 per cent. and some even so high as 1200 per cent\*.

\* The high credit of some of the Scottish Banks, owing to the numbers of their partners, rendered comparatively small advances of capital necessary ; and the proprietors frequently paid in only a fourth or fifth part of their subscriptions, being liable, of course, in cases of emergency, to a call for the remainder.—Enjoying a wide circulation, and large sums of deposited money, their profits have been relatively great, contrasted with their capitals. One Bank in a northern town commenced a considerable number of years ago,

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If England had enjoyed similar benefits, since 1694, from unshackled Banking Companies, it would have been a much richer, happier, and better peopled country at this moment than it can be for many years to come, as must be evident to all who attempt to trace the effects on national industry, and accumulation, produced by different degrees of confidence or credit in pecuniary matters.

The circulation of England, until about forty or fifty years ago, consisted principally of

with a nominal capital of 200 shares of £500 each, but only £150 per share, or £30,000 in all, was then paid up, and no subsequent calls were found necessary. Their *average* dividends have been 8 per cent., besides occasional bonuses, and for some late years successively, they divided £60 per share, besides placing £50,000 to their account of undivided profits, from which account they have laid aside £850 per share, or £170,000, to form an addition to their original paid up capital of £30,000. They had lately above £550,000 lodged with them at 3 per cent. interest, which, with an extensive circulation, enabled them to advance £160,000 on credit accounts—£150,000 on current bills—an equal sum on exchequer bills—and to hold £60,000 in Bank of England stock, besides large investments in the funds. Their shares, although opposed by three other respectable Banks and Bank branches, were lately selling at £1400, being £1250 more than they originally cost. Many similar examples could be given of Banking prosperity amongst the unrestricted companies of Scotland, most of whom, it may be observed, have considerable interest in the prolongation of the Bank of England monopoly, as large holders of its stock.

metals and bills of exchange, comparatively few Bank of England notes being then used ; and it is within that period, I believe, *provincial* Bank issues commenced in England, although its denser population, and greater trade, presented a field, for Banking operations, far superior to that previously occupied by the Scottish Banking Companies. This tardy establishment of provincial Banks may, perhaps, be correctly attributed to the restrictive law in question ; but, whatever was the cause, the continual failures amongst them since, have produced much individual and national distress, and have created or fostered, in many cases, the most erroneous prejudices against every description of Banks and paper currency \*. Only one issuing Bank, of any consequence, ever stopt payment in Scotland, and as the partners were worth many times the amount of its debts, no ultimate loss could be sustained by the public. The history of this concern, which existed about 45 years ago, and only for a short period, is ably abridged in Dr Smith's Wealth of Nations, vol 2d, page 49, and is more minutely detailed in a large volume, to be found in many public li-

\* See Note C.

braries, but its operations are not likely to be *imitated* by any *future* Banking concern.

The Scottish issuing Banks have stood so firm, that, in addition to the preceding, I have been unable to learn of more than four instances of stoppages amongst them since the introduction of Bank Notes, *none of these with more than three or four partners*, and their total deficiencies not supposed to exceed £50,000.

This stability may appear more remarkable, when we remember that many of the Scottish Banks have been doing business to a great extent, and with a high character for liberality, amongst the most adventurous classes of manufacturers, merchants, &c. ; and, generally speaking, amongst a people whose thirst for enterprise and speculation, has always exceeded their means of gratifying it.\* The risks with such customers were augmented, in many instances, by the connection of the latter, with persons in England, whose credit and circumstances fluctuated with those of the English Banks, they again were dependant on ; and the failure of these Banking Companies not only affected the *Scottish* Banks in this

\* See Note D.

*indirect* manner, but frequently produced bankruptcies amongst *their London agents*, with whom they had large cash balances deposited. Amidst all the fluctuations incidental to a comparatively poor, but extremely enterprising population, attempting to rival, within the last forty years, the trade and manufactures of the more favoured portion of the island, this steadiness and security of the Scottish Banks, have been so conspicuously *contrasted* with the very defective Banking system of England, that we must feel amazed at the infatuation or perversity by which it has been perpetuated. Even in times when every other thing, however trifling or minute, is more or less the object of legislation, the almost simultaneous stoppage of one-third of all the English Banks produced no regulations to prevent a recurrence of such evils; and, by an unaccountable indifference or fatuity, government has allowed a similar calamity to spread misery and distrust, still more recently, over the best part of Ireland, in disregard of all previous remonstrances by individuals against the injurious effects of the restriction on Banking partnerships. Seeing so much *apparent* reluctance in government to apply the only *effectual* remedy *at once*, I suggested,

in 1819, as a temporary palliative, that before any provincial Bank notes *under five pounds* were *stamped*, respectable guarantees should be lodged at the Stamp Office, for the due payment of such notes, at any after period, so as to secure to the *lower* orders, in particular, greater certainty of ultimate safety in taking provincial *small* notes, than they enjoy at this moment. I afterwards heard that this proposal had been anticipated, and disregarded ; and, as *another* alternative, recommended *a gradual extension of provincial partnerships*, if an act of such necessity and justice as the *total repeal* of the present limitation was still to be delayed. Thus, in 1821, ten partners might be allowed in a provincial Banking Company ; fifteen in 1822 ; twenty in 1823, and in like manner, progressively, until the restriction be abandoned. During this progressive enlargement, their *small* notes might either be *guaranteed*, as proposed, or it might deserve consideration, how far it would be proper to prohibit any Company with *fewer* than fifteen or twenty partners, of well known wealth and respectability, from issuing *small* notes at all, unless upon previous assignments to the Commissioners of Stamps, of good bills, bonds, or government securities,

&c. to their full value, to be retained until the notes were finally withdrawn from circulation. Such a regulation might be preferable to the obtainment of a *guarantee* for small notes, from persons liable to insolvency ; and could hardly be considered so severe, or so *absurd*, as that which, *at present*, prohibits Companies with *more than six* partners issuing *either small or large notes*.

It is the duty of government, particularly where *coins* are not issued by it, or only in small quantities, to ascertain that the public is fully secured with the currency of provincial Banks, as it has hitherto done in the case of the Bank of England. From the want of efficient enactments on this point, we have seen most of the nations *in Europe* labouring under the embarrassments of suspected or insecure currencies ; and the exceedingly defective state of the *North American or United States Banks*, during some years past, should have strengthened the *previous calls on legislators* for an *effe-  
ctual* preventive to such evils in future.

In the event of *free Banking partnerships* being permitted in England, inspectors might report, half yearly or annually, to parliamentary commissioners, on the situation of each

Banking Company; and if still entitled, in *their* opinion, to supply part of the circulating medium. These inspectors and commissioners might be bound, *under an oath of secrecy*, to conceal from the *public* the *particulars* of each Company's affairs; but, whilst the inspection ascertained the **STABILITY** of **EVERY** Bank, it might be desirable, in a *statistical* view, that the *aggregate results* of each *district* were periodically published; for instance, the average extent of circulation—annual and current discounts, and whether payable in or out of the district—total sums deposited on promissory notes or receipts bearing interest, with amount paid and balances outstanding, and the same with sums deposited on current accounts—original and present capital, and description of debts due to and by the Banks in each district or section of country, might all be made public without exposing the affairs of *any one* *Bank*; particularly, if care was taken not to publish the combined results of fewer than eight or ten distinct concerns taken together. Such inspections might be practicable and useful, perhaps, even with the present restricted copartnery; but if *they* did not willingly submit to the inspection of respectable persons, *statement* *unfavorable*

on oath of secrecy, they could all make up *returns to the same date*, of the preceding or other items, withholding the name of their firm from the return, and only specifying in what division or *district* it was made ; and, in this view, it might be proper that such division should contain at least eight, ten, or twelve Banks, so as to encourage candid and accurate *returns*, by the greater certainty *each* Bank would *then* have, that the *particulars* of its own affairs could be less easily distinguished or guessed at in this, than in a smaller mass of returns. If charters were granted to provincial Banks, with large subscribed capitals, distinctly exempting each proprietor from responsibility beyond the extent of his original subscription, such Companies, at least, could have no objections to submit a periodical statement of their matters to government, especially if charters were, as they perhaps ought to be, unobtainable without this condition. The public monies, and the proceeds of bankrupt estates, &c. in Scotland, are ordered, I believe, by Acts of Parliament, to be lodged with the *chartered* Banks there ; but if the *original capital* of these Banks is the *only* security they offer, government should ascertain, at regular intervals, that it remains

*undiminished*, or at least sufficiently large to sanction the continuance of the charter, and in this respect, parliamentary control over the Bank of England presents a good precedent.

Although the *principle* of inspection is here recommended as a desirable check against *future* deficiencies, the *present* situation of the Scottish chartered Banks is above all suspicion; and, I doubt not, they would cheerfully submit to government inspection, whenever it might be adopted. Government appears to have had it repeatedly in contemplation to *prohibit* provincial Bankers from issuing notes *under five pounds*, as a partial preventive of the evils of their limitation in number of partners—but such a remedy would be worse than the disorder.

Much of the prosperity, the trade, manufactures, fisheries, &c. of Scotland have exhibited, during the last 30 or 40 years, is attributed, and with apparent truth, to the anxiety of its Bankers to extend the circulation of their small notes, as they could most effectually do so by assisting productive labourers, or those who paid wages in small sums, or bought raw produce, or manufactured articles in limited quantities.

The confidence universally felt in the stabi-

*lity* of these Banks has rendered them the principal depositories of money, (it is thought their deposits exceed 20 millions,) and has enabled them to afford permanent, liberal, and steady advances to manufacturers, miners, agriculturists, &c. employing labourers; and from their eagerness to push the circulation of *small* notes, the greatest facilities are at all times presented to every industrious and enterprising applicant, able to give tolerable security, who may be likely to promote that object.

The beneficial effects of that subdivision of labour, which makes it the business of Bankers to discover safe borrowers of capital, instead of each capitalist doing so for himself, are well known; and nothing seems better calculated to *stimulate and enlarge* the applications for money amongst reproductive borrowers, than the encouragements held out to them by Bankers, desirous, through their medium, of extending their *circulation*. Thousands of ingenious and active men might have found their time only partially occupied—their talents repressed—and their additions to the wealth of society correspondingly unimportant, but for this feeling of self-interest amongst the Banks; and

I have elsewhere endeavoured to shew, that the bullionist theories, respecting the alleged *depreciation* of paper currency, resulting from such operations, are completely unfounded. The proposed prohibition of *provincial* issues *under five pounds* would strike at a very active and permanent cause of national wealth ; and if they even could grant the *same* accommodations to the productive classes, by issuing gold, or Bank of England notes, instead of their own notes under five pounds, the provincial Banks would require to charge their customers something additional on their transactions, so as to secure after this reduction in their circulation, their *present* gains, which cannot be above or below the *ordinary* rate of profits on trade in general. That this effect would follow the general adoption of the *Lancashire* system, which many affect to admire, is sufficiently evident ; for whatever may be the advantages of substituting Bank of England paper, mercantile bills of exchange, and specie, in that county, instead of *local bank issues*, a Banker there must subject his customers to such extra charges, as will yield the same return on his capital, as he could derive from its employment elsewhere, with the same

risk and trouble, but at same time issuing his own notes.

If we suppose that the whole provincial Banks in England realize two millions annually from their *circulation*, it is clear, that if Bank of England paper or specie was issued by them, instead of their own notes, and the same extent of business still conducted, the public would either lose the interest on 40 millions of *specie*, and be still obliged to compensate the *Bankers* for the loss of *their* circulation, or would be adding 2 millions to the *present* annual gains of the *Bank of England*, and paying *other* 2 millions to the *provincial* Bankers in the shape of commissions or new charges, in lieu of their present gains by issuing notes. The establishment of *branches* from the Bank of England might, no doubt, save the public from these extra charges, and has been often most urgently recommended in Parliament, not indeed with *that* object in view, but as a remedy for the apprehension, uncertainty, and actual direct and indirect losses attending the present system. It is very improbable, however, that so unwieldy a mass of operations could have been satisfactorily conducted under any possible arrangements; but *supposing* the

*practicability* of entirely superseding the present provincial Banks, by branches from the Bank of England, it is doubtful if its augmented circulation, in consequence, would defray the expenses, and cover the *losses* at so many agencies, so generally beyond the immediate control of its directors.

It is unlikely the Bank of England, if these branches had actually superseded the *provincial* Banks, would have discounted so freely as the latter, as its directors have been always more difficult to please on the score of security, both before and during the suspension of specie payments. Even where the security was *unexceptionable*, and with the *exclusive power*, betwixt 1797 and 1819, of discounting *every* good bill offered to them, whether the sum was one hundred or one million of pounds, they have repeatedly rejected such undoubtedly safe paper, on grounds not very discoverable by the public, whose provincial wants, therefore, it is probable, might have been rather inadequately or capriciously relieved under the proposed system of branches, particularly if, at these, they only discounted, as in London, bills at or under two months date.

The effects of this unsteadiness, as to discounts, and apparent ignorance of the true principles of trade and circulation at the Bank of England, during the last 22 years in particular, aggravated as they unquestionably have been by the restriction on other Banking concerns, in regard to the number of partners engaged in them, will be more fully examined in the remarks on currency, the publication of which, as formerly noticed, will follow the present observations.

The immense extent of *mercantile bills of exchange* circulating in England, appears to be so connected with the restriction on provincial Bank partnerships, as to demand particular notice here, especially as such *advantages* are said to attend this description of currency as to have precluded the use of local Bank notes, until lately, in *Lancashire*, one of the most *extensive* fields for pecuniary transactions in Britain. I have already noticed the extra charges which must be imposed on money operations to compensate the want of profit from local issues, and, perhaps, these are submitted to in Lancashire, in the fear that no partnerships of six individuals, however respectable, are entitled to such extended credit, as to

supply the great amount of currency required by that county. Considerable expense and trouble are incurred in bringing Bank of England notes from London, for the smaller payments of Lancashire; and, it is said, these notes have been frequently at a premium of 10 or 15 shillings per cent. at Manchester, &c. whilst the circulation of mercantile bills, made payable in London to effect the *larger* payments, is perhaps attended with much risk, trouble, and expense, that might be avoided by the repeal of the restriction under review. This may possibly be more apparent if we previously examine the mode of effecting payments in Scotland. When a merchant in Edinburgh sells goods to a person residing there, the latter grants an acceptance for the price, payable at his own house, or at his Banker's in Edinburgh,—if the drawer has occasion to use this bill in the course of his own payments, he takes it a day or two, perhaps, before the money is required, to his Banker, who discounts it, without commission, charging 5 per cent. interest, and either pays the proceeds in notes, or places them to the credit of the merchant's current account, bearing interest at 3 or 4 per cent. Should the mer-

chant have a sum to pay to persons at a distance, or to persons who are ignorant or doubtful as to his circumstances, he may prefer taking the Banker's notes for the proceeds ; but in making payments to those who reside in his vicinity, or who have confidence in him, he will generally give a cheque on his Banker. In the case of a person in Aberdeen, for instance, discounting bills in this manner at the Bank there, and having occasion to pay the proceeds *in Montrose*, he may transmit the Aberdeen Bank notes, which pass currently in *every* part of Scotland, as these and the notes of every provincial Bank, with only one exception, are retired in Edinburgh by agents appointed for that purpose ; or, if the expense and risk of transmitting notes to Montrose is considered too great, the person in Aberdeen remits his Banker's draft *on Edinburgh*, at the par of eight days date, which will pass *as cash* in all places where the par with Edinburgh is equal to or exceeds the currency of the draft ; but if, in the course of its circulation, it is paid away for instance, in Glasgow, where the par on Edinburgh is only three or four days, the receiver will charge interest for the number of days this draft has to run be-

yond the Glasgow par. It is also very common, to save the stamp of these drafts, for persons to pay in sums at the branches of a Bank, to be repaid to their correspondents at the other branches or offices of the same Bank ; but on this plan the Banker grants no receipt, in general, for sums so lodged, in case of thereby incurring the penalties of the stamp act, and the payers, therefore, trust to his advising the payment to be made at the proper place, on the person previously named by them, calling for it. Post bills, or Bankers' promissory notes, on sheets of paper, at sight, or 7 days sight, are also much used for effecting payments at some distance, and are equally negotiable as direct drafts on Edinburgh. Drovers, graziers, &c. having occasion to attend various cattle markets, and being frequently uncertain when and where they may make purchases, are partially in the practice of carrying Banker's receipts bearing interest, which are received by the seller as cash —less any charge for negotiation by the Bankers, who may present them for payment to the grantors. This plan gives the holder the benefit of the interest, until he has occasion to pay away the receipts, and as they can be more effectually stopt payment of, if lost or stolen,

than Bank notes, they present advantages which would certainly ensure the more general adoption of this practice, were it not doubted by many Bankers, whether such *unstamped* interest receipts are legally indorsible from one person to another, like bills of exchange, and a penalty incurred by persons giving cash for them beyond 10 miles from the place where granted,—or whether an onerous indorsee can compel the grantor to pay, without regard to, or deduction of, any claims the latter may have on the original depositor. The depositor should, therefore, have the option of taking his receipts, either on stamped or unstamped paper, that is, of paying for the stamps, in the prospect of securing an equivalent, at least, by circulating the receipts in the manner above alluded to ; but Bankers may, probably, wish to discourage the use of a currency *bearing interest*, although various obvious improvements could be introduced in this respect.

*h. Parker*  
*valley*  
*trifles*  
*disconveniences*  
buyers of goods, in provincial towns, generally accept for them, payable at their own houses ; and it is quite customary for merchants residing in Glasgow or Leith, for example, to hold bills, payable in every town in Scotland, where a Bank or Bank agency is established ;

these bills they can get easily discounted, by the Banks of Glasgow and Leith, even without the previous expense and trouble of getting them *accepted*, in general, for the moderate commission of  $\frac{1}{8}$ ,  $\frac{1}{4}$ , or at most  $\frac{1}{2}$  per cent., which is found to be about as economical a way of negotiation as sending them for discount to the Bankers residing where the bills are payable, and getting drafts on Edinburgh, at 8, 10, or 12 days date for the proceeds, liable to their charges of commission, stamps, postages, &c. The Banks in Edinburgh can afford to discount bills payable at the provincial towns, for a very small commission, owing Now  
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to their either having branches in these towns, or to their acting as agents for the local Banks therein; and, in both cases, they can transmit a number of bills due about same time, and receive returns for them in the money parcels they may be under the necessity of dispatching or receiving at any rate; and a Bank in Edinburgh, for example, collecting bills payable there, for another in Stirling, may find their amount nearly balanced, by those it has sent for collection to the Bank in Stirling, or otherwise settled for, in account current betwixt them, without the actual transmission of cash,

and without either charging commission to the other, but on the differences betwixt the sum of bills sent and received by it, for collection. If the buyers or sellers of goods, however, prefer domiciling such acceptances *in Edinburgh*, the acceptor can easily retire them through the provincial Banker he transacts with, or by direct correspondence with Banking or mercantile agents in Edinburgh ; only, in this case, the seller would require to charge the provincial buyer a *lower* price, than if the bills were made payable at the residence of the *latter*, as the expense of par, postages, and commissions, incurred by the buyer, in retiring his acceptances, thus domiciled in Edinburgh, would generally exceed the charge for negotiation the seller incurs when he discounts provincial acceptances at an Edinburgh Bank or its branches. For instance, we shall suppose a merchant in Leith holds goods, for which a safe purchaser there is willing to grant his acceptance, at three months date, *for £100*, payable at his own house in Leith ; if an *equally* safe purchaser appears from *Perth*, the seller will not invoice these goods *to him* under £100, 5s., for his acceptance, at 3 months date, *payable in Perth*, because he cannot get a bill pay-

able *there*, discounted in Edinburgh or Leith, for less than 5s. per cent. of commission, &c., of course, this charge by the *seller*, of 5s. *more* on the goods, in exchange for a Perth bill, than for a Leith acceptance, only leaves him the *same profit* as if the goods had been sold to a purchaser residing in Leith. On the other hand, if the seller wished the Perth purchaser to domicile the bill *in Edinburgh or Leith*, it might cost the acceptor 15s. to retire it, when due, and the latter would, therefore, insist, that the goods should be invoiced at £99, 10s., so as to prevent them standing him *more*, when thus paid for *in Edinburgh*, than if he had granted a bill for them, payable in *Perth*, amounting to £100, 5s. As this latter alternative, however, would leave the seller 10s. *poorer* than the preceding, it is *seldom* adopted, and, instead of the Perth buyer paying 15s. to *Bankers*, for retiring his acceptance for £99, 10s., made payable *in Edinburgh*, the seller pays them 5s. of commission, for discounting the buyer's bill for £100, 5s., *payable in Perth*. I do not know exactly the various causes of this difference in the charge of negotiating a bill through an Edinburgh Bank, and of a provincial Bank retiring the acceptance of a

customer, which he has made payable in Edinburgh; but such a difference seems to *exist*, and I notice it as tending to *account* for the very small number of bills accepted payable in Edinburgh, by persons residing in other parts of Scotland. One reason for this difference may be, that, in the above supposed case, the Bank of Scotland, for instance, may be able to discount, at Edinburgh, a bill made payable in Perth, for 5s. per cent. commission, from its having a *branch* there, and paying, of course, no commission on its *collection*, whilst a person in Perth, who deals exclusively with the *Perth Banking Company*, may be obliged to pay both *their* commission, and also that of their *Edinburgh agent*, for retiring his acceptance, made payable in Edinburgh; and, at same time, he may feel it *inconvenient* to lodge funds, in *this* manner, for the payment of the bill *before* it falls due, a disadvantage he avoids by making it payable in Perth.

I have been so minute on this point, because the practice in Scotland, of purchasers uniformly granting their acceptances, made payable at their own houses, to sellers residing in the same place, and even doing the same generally with sellers residing in other places, is so

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different from the frequent custom in England, of debtors granting to their creditors, residing in the *same provincial town*, acceptances made payable in *London*, and the still more universal custom there, of paying all *distant* creditors with such paper. So accustomed, indeed, are the Edinburgh Banks to discount bills payable, in a variety of distant towns in Scotland, that they do not hesitate to take bills payable even in Liverpool, Bristol, Hull, Birmingham, Manchester, Newcastle, Shields, Sunderland, Berwick, Carlisle, &c., with greater readiness than many of the English Banks themselves, although their facilities of intercourse with the latter places are generally inferior.

I have already remarked, that the Scottish provincial Banks, (the Caithness Bank is the *only* exception, and their circulation, though in excellent credit, is consequently *local*,) have agents in Edinburgh, for retiring such of their notes as may be presented there for payment; and they pass current in consequence of this arrangement, and the high credit of the issuers, not only in *all* parts of Scotland, but are frequently preferred, in the north of England, to the notes of some of the Banks in that quarter; but as some of the respectable Banks in New-

castle, &c. have also agents in Edinburgh, for exchanging their notes, it is proper to state, that they pass very currently, also, in all parts of Scotland.

It may, at first sight, appear, that there is little difference betwixt the Lancashire plan of individual traders accepting all or most of their bills payable *in London*, and the Scottish Banks retiring all notes presented to their Edinburgh agents—seeing that these mercantile acceptances, in England, are directly put into circulation, by indorsation from hand to hand, and from place to place, and that the *acceptors* pay agents for retiring them *in London*, when due, whilst the drawers of such bills, in Scotland, exchange them for *notes* which the *Bankers* pay agents *in Edinburgh* for retiring or exchanging, when presented there. It should be remembered, however, that if Banks in Glasgow, for instance, should discount one or two hundred thousand pounds of bills, weekly, not one or two thousand of the notes issued, for the proceeds, may be presented to their agents, in Edinburgh, for payment; for, as before mentioned, the parties obtaining these discounts settle all their local payments by the notes of, or by cheques on the discounting Banks; and the issue of notes, in

such cases, is so economised, that for the *heavier* class of payments, the debtor who discounts bills at a Bank, merely transfers, in general, the whole or part of the proceeds to his creditor's current account, with the same or some other Bank in that place, by means of *cheques*. Thus, if Carrick & Co. of Glasgow, discount £50,000 to a mercantile house there, the latter may give *cheques* on Carrick & Co. for that sum, to persons who pay them into the Thistle Bank of Glasgow; and as Carrick & Co. may have also *cheques* on *that* Bank for an *equal* sum, the whole of these operations may be completed by means of mutual exchanges amongst the Banks, with nearly as small a sum of *notes*, in proportion, as is used to effect the settlement of the immense money transactions at the Lombard Street clearing house in London\*. The Glasgow Banks, of course, also bring forward, in addition to such *cheques*, each others *notes* at these exchanges; and, for the difference betwixt their total claims, the debtor Bank grants its draft at sight, or a short date, on Edinburgh or London, as may be previously arranged. In like manner, the *branches* of Banks effect exchanges with the Banks or

\* See Note D.

Branches in the same place ; and, if the Bank of Scotland's agent at Dumfries had issued £5000 of notes which had found their way into the hands of the British Linen Company's agent at Inverness, the agent for the Bank of Scotland, at Inverness, would settle for them in *his* exchange with the British Linen Company's agent there. Comparatively few notes, therefore, are sent to Edinburgh, excepting those the holders cannot get easily exchanged themselves, in the provincial towns, such as, Dundee Bank notes, perhaps, in the hands of the Bank at Ayr, or in similar cases, where the issuers may have no direct intercourse together, and no branches in the same place ; but, as already observed, the practice of remitting Bank drafts upon Edinburgh, or bank post Bills, instead of Bank notes, when payments are to be made at a distance, and the ease and cheapness of passing drafts on distant debtors, through the various Banks, greatly tend to curtail the circulation of notes beyond the original district where they are issued, and, consequently, to reduce the expense, banks in a provincial town, incur in transmitting the notes of other banks, which are unexchangeable *there*, to be exchanged in Edinburgh. Notwithstanding the

liability of the provincial banks to be called on for specie, or Bank of England notes, for any of their own presented at their head office, or the place of payment, most people prefer paying the stamp and par of their drafts on Edinburgh or London, for the amount, to the transmission of such specie, or Bank of England paper, at considerable risk and expense. And although the public has always the option of demanding payment at the agents *in Edinburgh*, for the whole notes circulating in Scotland, a comparatively small portion of the provincial Bank notes appear there for payment, from these and other circumstances already alluded to. But if even the *whole* notes issued by the provincial Banks, in exchange for *local bills*, *discounted by them*, were formally domiciled and presented for payment *in Edinburgh*, still there would be a much smaller sum paid to Edinburgh agents for retiring provincial *bank notes*, than would be paid to agents there, by individuals, for retiring the *bills* so discounted ; if, in imitation of the Lancashire system, these bills were domiciled *in Edinburgh*, instead of where the acceptors reside, and *circulated* amongst traders, instead of the Bank notes they are now exchanged for, when discounted

to the drawer. In other words, an agent in Edinburgh might charge a provincial Bank only £50 for retiring £100,000 of its notes, when charging mercantile correspondents £500, for retiring 1000 of their acceptances of £100 each. The Banks in the *west* of Scotland have, generally, *agents also in Glasgow*, on whom they grant drafts, and who retire their notes, &c. If all the English provincial Banks were to appoint agents in London, for exchanging their notes, it might be useful to the public, and perhaps convenient for some of those most *remote* from that city, to have similar agents in one or more of the principal towns they are less distant from; and many people might consider the necessity of having, in addition to their resources elsewhere, funds or credit with such provincial agents, a good check on the issuers' operations, which would render them still more careful and prudent.

If there were any real advantages or savings to be realized by the Scottish public circulating mercantile bills, instead of Bank notes, they are *always at full liberty to do so*. Bills on London are certainly, to a small extent, directly bought and sold amongst merchants, without the intervention of Banks; because a mer-

chant who happens to hold an undoubtedly safe acceptance, payable in London, might get 15 or 20 days premium on it, from a person who requires to remit the same sum, when he could obtain no premium by discounting it with a Bank. The holders, however, of London paper are seldom inclined to put it into general circulation, being more unfond, perhaps, than the English traders, of exposing their transactions to other dealers, or afraid of its coming back on them unpaid, with expenses augmented in proportion to the number of hands it may have passed through. They, therefore, generally prefer discounting London paper, with a Bank, to selling it on change; and it is even customary for merchants who hold bills on London, and have occasion themselves to make remittances of London paper, to exchange it, under the influence of such considerations, for their Banker's drafts on London, at a loss of 20 days interest and stamps on the amount—that is, the Bankers allow no premium on a bill on London at sight, for which they give cash or notes, but charge 20 days interest and stamp on any drafts on London at sight, they grant in exchange for cash or notes; and the best proof

that this charge will barely *cover* the expenses of providing funds in London to meet such Bank drafts, is to be found in the circumstance already noticed of the Scottish public, almost universally preferring to take Banker's drafts on London, at 20 days date, in exchange for their notes, instead of demanding gold, silver, or Bank of England notes, for them as they are legally entitled to do. As they are also all exchangable *in Edinburgh*, the holder can convert them *there* into specie or Bank of England paper, as readily as if he presented them to the issuers themselves in the provincial towns.

These provincial notes do not indeed actually bear to be *payable in Edinburgh*; but it would be considered nearly as discreditable to the issuers, if their Edinburgh agents refused to exchange them, as if they were protested for non-payment where they are expressly made payable, and no instances of such refusals at Edinburgh are therefore allowed to occur. This convertibility into cash, both at the direct place of payment, being the head office of the provincial Banks, and in Edinburgh, does not require any considerable reserves of either specie or Bank of England notes, to be kept

by the issuers themselves, or their agents in Edinburgh. If the notes are presented for payment to the *issuers*, they are all in such credit, that their drafts on Edinburgh or London are preferred to Bank of England notes, or specie, because, as before remarked, the expense of transmitting small notes or coins to Edinburgh or London, generally exceeds the par upon these cities at the provincial towns. Again, if provincial notes are presented to the *agents in Edinburgh*, they will give the notes of the Edinburgh Banks in exchange, for which, of course, the holder will receive such description of payment from these Banks as he may prefer. It will be seen from the foregoing particulars, that it is not customary, and, of course, not considered necessary, nor ultimately profitable to circulate mercantile bills in place of Bank notes in Scotland; and that a provincial merchant, selling goods to a person residing in the *same* town, seldom thinks of taking his acceptance, payable in *Edinburgh or London*, for the price.

The custom of merchants in Liverpool, &c. circulating mercantile acceptances in place of Banker's notes, in *large* payments, may be thought, by some people, to be attended with a

saving of *one half* the stamps, which they and the Bankers would have to use, were they discounting such bills and circulating Bank notes for the proceeds ; but it should be recollected, that even if *notes* were issued for the *whole* proceeds, such notes are *re-issuable*, either during *three years*, or as long as they *last*, and that, at any rate, a very small proportion only of the proceeds would actually be drawn out in Bank notes, if cheques were given for local payments ; and the saving in question would therefore be principally in the stamps of post bills or drafts on London, obtained from the Banks to effect payments at a distance. It may, no doubt, be very right for a Manchester manufacturer, who has sold goods to a safe man in London, to pay for cotton in Liverpool by a draft on this London debtor, and equally right for the cotton merchant in Liverpool to re-endorse it away to his own creditors *out of Liverpool*—but if the different classes of traders *in Liverpool* *interchange* paper, *made payable in London*, to the extent of 10 millions sterling annually, for goods bought and sold, or finally consumed in Liverpool and its vicinity, the extra charge thus *unnecessarily* incurred for London agency, &c. in retiring

this total of such bills, would, at only 5 shillings per cent., amount to £25,000 annually. I do not say that *all* local transactions are settled by London paper, or that goods are *consumed* in and around Liverpool to such an extent, but most articles pass through various hands or processes before reaching the consumer, or being exported ; and goods valued at 2 millions sterling, may have been represented, during this progress, by three, four, or five times that sum, in bills made payable in London, which, with more apparent propriety and economy, might have been made payable in Liverpool itself. It is said that the Liverpool Bankers will not retire such acceptances, in general, unless the funds are lodged with them *twenty* days before they fall due ; an inconvenience certainly of no small moment, which could be avoided by accepting them payable in Liverpool. It does not appear that in Lancashire, there is any *general* or *fixed* par with London among *all* merchants and manufacturers, some appearing to take good bills on London at 2 months date *as cash*, others, when foreign drafts on them, made payable *in Liverpool*, are presented, *adding 20 days to their currency*, if they accept them payable *in*

*London*, but as the Bankers charge  $\frac{1}{4}$  per cent. commission on the London bills they sell, *allowing the purchaser the interest until they fall due*, 20 days may be considered as the par in that quarter. No premium appears to be allowed by Bankers there, on London bills offered to them for discount; and, on the contrary, they have been known to charge  $\frac{1}{4}$  per cent. commission, on giving *small* Bank of England notes for Bank of England post bills, or *large* notes. In addition to the commission charged on re-endorsing or selling London bills, they charge the stamps of any drafts by themselves on their London agents, and 1d or 2d on every bill lodged with them, to cover postages, &c. is placed half-yearly or annually to the debit of their customers accounts, the debtor side of which is always charged with  $\frac{1}{4}$  per cent. *commission*. From all appearances, therefore, one is led to suspect, that most of the Lancashire Bankers would prefer the system of settling almost all mercantile transactions by bills on London, as one which yields them more direct or indirect commissions, than they may suppose could be compensated by their issuing notes and encouraging the more extended use of local acceptances. But if mis-

informed as to the details of Banking in that quarter, or ignorant of the peculiar advantages derived from the absence of *local issues*, I shall be happy to see them minutely explained by persons of greater local knowledge. Some people unacquainted with trade, appear to imagine that the settlement of bills drawn, payable in London, for *imports* into Lancashire, is facilitated by buyers and sellers, residing *within* the county, making bills, for their *mutual* transactions also, payable in London; but if the *exports* of Lancashire to other counties in Britain, and to foreign places, are drawn for, *payable in London*, the amount will be permanently equal to the drafts *upon Lancashire, domiciled in the metropolis*, for its *imports* from such counties and foreign places, and the *exporters* have only to *transfer* the drafts they draw, or remittances they receive, thus made payable in London, to the *importers*, to effect the adjustment of all the external transactions of the county. There does not appear any inevitable necessity for even the *foreign* imports and exports of Liverpool, being all settled in London paper, and if a *direct* exchange betwixt it and the principal commercial places abroad was established, the im-

porters at Liverpool might save the greater part of their present expense of correspondence with, and commissions to London agents and local Bankers, for retiring foreign drafts upon them for goods.

Considering the vast *foreign* trade of Liverpool, and that the drafts, *upon it*, for imports would, in many instances, be exposed for sale, in places abroad, having *equal* remittances to make *to it* for its exports, there are apparently no great obstacles to the establishment of a direct exchange with most of the foreign mercantile towns of note ; and in situations where the drafts upon Liverpool, exposed for sale, exceeded the demand for them, they should still sell nearly as *readily* as if drawn payable in London ; because the extended foreign connections of Liverpool would always present the holders of such drafts with opportunities of disposing of them to advantage, seeing they could serve as remittances from the places abroad, where they were less to those in which they were more in demand.\* At all events,

\* Direct foreign exchanges are enjoyed by the less commercial ports of Bordeaux, Bilboa, Oporto, Cadiz, Seville, Barcelona, Trieste, Rotterdam, Antwerp, &c., in addition to the exchanges with the CAPITALS of France, Portugal, Spain, Austria, and Holland.

there could be little difference abroad, in the value of drafts upon London and Liverpool, under an unrestricted system of provincial Banking in this country, as, in that case, there would probably be little or no premium, even amongst *merchants*, on London paper in Liverpool, or, what is the same thing, little or no discount upon Liverpool paper in London. It would be also a saving of Banking and agency commissions, if bills *on Liverpool*, &c. were currently bought and sold in the Exchange, &c. *at London*, in the same manner as bills *on London* are bought and sold in Liverpool, and other provincial towns; and that the imitation of this practice, in the sale of provincial paper also, on the exchanges of such of these towns as are of mercantile importance, would be an economical improvement in the settlement of our *internal* transactions, will be evident to all who take the trouble to examine the present mode of adjusting them. No proper trader will disregard any suggestions, which may have the slightest chance of removing or abating charges on his operations, especially those of such weight, permanency, and frequency, as Banking or agency commissions on bills and money transactions; and when it is recollected, that

the Chancellor of the Exchequer has been lately insisting on a reduction in the Banking charges on government remittances, I may be excused for recommending an equally keen scrutiny, on the part of individuals, into similar charges, affecting private pecuniary operations of a much greater amount than those of government.\*

The immense circulation, in ENGLAND, of bills made payable in London, which far exceeds the whole Banking issues of the country, is partly to be ascribed to capitalists and others preferring investments of this description, to lodging their funds with doubtful or insecure Banks, particularly as they may thereby realize a higher rate of interest. The "runs" or sudden demands, to which these Banks are exposed, may have also tended to produce this circulation of bills, in particular the settlement of local transactions by acceptances domiciled in London, from the superior facility with which they can be converted, in cases of emergency, into Bank of England notes, through the medium of London agents or bill brokers, who would not discount them if payable in provincial towns.

\* See Note E.

The Bankers will, therefore, *prefer* discounting bills thus domiciled ; and another reason for so domiciling them is, that when merchants, &c. are forced to indorse away, or circulate, bills of exchange, from the occasional or general reluctance or inability of Bankers to discount them, they find those made payable in *London*, not only commanding more general currency throughout the country, but also preferable to provincial Bank notes for effecting payments at a distance ; as from these notes being usually payable in provincial towns, they are not well received *beyond* their immediate vicinity, from the difficulty of getting them *exchanged*, even where the issuers are in extended *credit*.

Some of the Banks have, no doubt, made their notes payable in *London* ; but these attempts to secure a more distant or extended circulation have been greatly counteracted by the restriction on the number of their partners also *restricting their credit*.

I have just alluded to the practice of re-discounting bills through London agents or bill brokers. These agents may, at the same moment, be buying bills for Banks in Cornwall, and selling for Banks in Northumberland ; the surplus funds of such concerns being frequently

invested in this circuitous and expensive manner, instead of the local wants of each trading circle being more immediately and directly supplied by the discounts of its own Banks. The London bills so purchased, through agents, having generally respectable names on them, can be more easily re-converted, through these agents, into Bank of England notes, on sudden emergencies, than provincial paper, and therefore, not one *eighth*, it is said, of the funds at the command of the Banks is *directly* invested in local discounts ; and, for the *same* reason, we find exchequer bills, and similar securities, raised to prices yielding a very poor return of interest. Many may argue in favour of this circuitous mode of investing surplus funds ; but although the whole sum lent remains the same, whether directly or circuitously employed, I cannot help thinking, that, by these investments, and their funding speculations, *restricted Banks*, instead of promoting individual enterprise and industry within their own circles, so *effectually* as they might otherwise do, present additional encouragement to government loans, and consequent profusion of national expenditure. Before concluding these remarks on the purchases and sales of London

paper by provincial traders and Bankers, I may be allowed to observe, that whatever may be the *advantages* of the practice, it would certainly be an improvement, were the *first* or *second* indorsers of such bills to refer, *more generally*, the *subsequent* indorsers, “in case of need,” to persons in London, who would retire them, *supra* protest, for their honour or account, when unpaid by the *drawee* or *acceptor*. A person, for instance, in Bristol, in good circumstances, may indorse away a bill on London, for £100, without such a reference, “in case of need,” trusting that the previous names on it will attend to the due payment. The bill may afterwards pass through the hands of twenty indorsers, the last of whom may have received it from some correspondent in Germany, to whom, in ignorance of the preceding parties, or for other reasons, he may send it back, in the event of non-acceptance or non-payment, with charges of protest, commission, exchange, re-exchange, postages, &c.; from Germany it may be returned to France, or even America, incurring fresh charges in its progress, until the first intimation of its dishonour to the Bristol indorser, *some weeks after it is due*, is accompanied with a demand for

£20 or £30 perhaps, of expenses, on this small bill, while his chance of recovering even the *principal* from the original makers, may have been considerably diminished in the *interval*. When bills of this kind, as is generally the case, are even confined, in their circulation, to *England*, still the expenses of their return under protest, through *many* indorsers, are always *considerable*, and, as each of them may be unexpectedly called on for payment in succession, fifteen or twenty persons may be thus put to trouble and inconvenience, whereas, if it had born a reference by the drawer or first indorser, to a London agent in case of need, the first one or two names upon it could only be subjected to the unpleasant consequences of its dishonour, which would also be intimated to them much earlier, and attended with less expense, than if returned through fifteen or twenty indorsers. It may not indeed be convenient for the first indorser to have funds or credit thus provided with London agents, in case of his indorsements being dishonoured, and with such persons, it would be better, were they to exchange any London paper, of a doubtful description, for their Banker's drafts on London, leaving the

latter, either to re-sell this paper, with a reference to London Bankers, in case of need, or to retain it until due.

The London Bankers, at whose offices such bills are payable, being particularly careful to pay none in which they can discover any irregularities in the original form or subsequent indorsations, the safest acceptances may be returned unpaid for very slight causes ; and the multiplied *law processes*, respecting their negotiation, are also disadvantages attending the circulation of mercantile bills, by persons not thoroughly versant in such matters ; to which may be added, the risks of *forgeries*, which are more likely to escape detection longer than if the forger was presenting them to a Banker, whose knowledge of signatures must be more extended and accurate, and other means of detection superior to those of the trading classes, through whose hands they may pass. The *flash* bills, so commonly found circulating in England, are evidence, that if any respectable person can be persuaded to receive them, through ignorance or oversight, the subsequent indorsers, who may perceive their actual nature and the intention of the original makers, have no scruple in prolonging the circulation of such

paper, if there is only some good name previously upon it. Such flash bills being, however, a sort of fraud on the ignorant or unwary, their original circulators ought certainly to be punished. The following specimens of their usual forms will shew, that in general, they are neither drafts, acceptances, nor promissory notes, and, therefore, not legally negotiable documents :

(FIRST FORM.)

£100.

BIRMINGHAM, 10th Dec. 1819.

Two months after date pay to the order of A. B. one hundred pounds, value received, as advised.

(Signed) C. D.

*At Messrs Smith, Payne & Smiths,* }  
*Bankers, London.* }

The word *At*, before Smith & Co.'s address, being so indistinctly written, as either to escape notice altogether, or to be read by those not on their guard, as "*To*," that the document may pass, in either case, for a direct and *bona fide* draft upon Smith & Co.

## (SECOND FORM.)

£100.

SHEFFIELD, 10th Dec. 1819.

Two months after date I pay to the order of E. F. one hundred pounds, value received, which place to account, as advised.

(Signed) G. H.

*Messrs Jones, Loyd & Co.* }  
*Bankers, London.* }

The pronoun “I,” before “*pay*,” being so placed or written as to be readily overlooked, and the receiver induced to consider it, in consequence, as a regular and direct draft *on* Jones & Co.

I have been insensibly led to extend these remarks on the circulating bills of England to their present length, and shall now notice a few more of the undesirable effects of the restriction on provincial Banking partnerships. The discredit under which several of these Banks have laboured, has sometimes as effectually checked the circulation of their small notes, as the proposed *prohibition* of all provincial issues *under £5* could have done. Some of them are so sensible of the precarious credit they possess, and are so afraid of the “*runs*” to which they may be liable, from the

more ignorant or timorous classes of the community, that they do not attempt to issue any small notes whatever, contenting themselves with the benefits of circulating notes *above £5*, the holders of which may not be so susceptible of sudden panic or distrust, and some of the *wealthiest* Bankers in England, from this, or other causes, actually issue no notes *under £5*, excepting those of the Bank of England. Still the lower orders are very unfond of Bank of England notes, from the numerous *forges* committed upon them ; and unless, during the existence of a “*run*” on their provincial Banks, generally prefer *their* paper, however doubtful they may suspect them to be, *ultimately*, in point of security. The prohibition of provincial issues *under £5*, would have greatly *increased* the forgeries on the *Bank of England* notes, which were to supersede them, and these forgeries are already sufficiently numerous, from the general currency of its paper, without giving it this immense additional extension ; on the other hand, the circulation of each provincial Bank being confined, in a great measure, to a comparatively small section or division of the country, any attempts to circulate forgeries *upon it*, are almost immediately detected.

Besides, these Bankers are so sensibly alive to the injurious effects of a successful forgery on their notes, that they ferret out the forgers with the eagerness of men whose interests are deeply at stake ; and with so many local checks of this description, *provincial forgeries* are rarely attempted. When they do take place, the public is seldom allowed to lose much by them ; for the Banks find it more for their own interest, to receive, as genuine, two or three hundred pounds of forgeries, than to excite public alarm by refusing to do so, which might injure their *circulation* very materially, or even create such a reflux of their issues to be exchanged for coin, or the notes of other Banks not suspected to be so extensively forged upon, as might prove highly embarrassing in the first instance, and most detrimental to their interests ultimately. Every pound so paid for forgeries, communicates, if possible, additional energy to their exertions for detecting the criminals, and usually produces improvements in the paper, water marks, engraving, signatures, &c. of the notes of such Bankers, which render their imitation more difficult afterwards. From every inquiry, the loss sustained by the Banks, and the public, from

forges on Scots notes, betwixt 1815 and 1820, did not exceed £500 in all, or £100 annually \*.

\* There is apparently no good reason, why *undoubtedly safe* Banking Companies should not issue notes so low as 2s 6d in value; and if notes under £1 were free from stamp duty, they could afford to render them so difficult of imitation, as to present no temptation to any forger, to exercise the requisite *skill* and *labour* which could alone secure him a few half crowns at the risk of his life. Notes so low as 6d were formerly issued in Yorkshire; and in America, Denmark, &c. a great circulation has existed of notes not exceeding a halfpenny or penny in amount. The power of obtaining payment by the public, on giving the issuers *guarantys* against the re-appearance of certain numbered or specified notes, in cases of fire, shipwreck, or other accidents, and the easier detection of frauds, forgeries, &c. than where *coins* are used, would be felt equally beneficial in the circle now occupied by metallic currency, as in that which at present maintains notes for larger sums in circulation.

Under proper regulations, particularly as to the frequent *renewals* of these small component parts of a paper currency, and the perfect *solvency* of the issuers, many advantages might accrue from their more general adoption; and notwithstanding the suppression of Bank notes under £1 in this country, the exaggerated accounts of their defects and consequences, and the misrepresentations regarding American, and other foreign paper currencies, of such minute denominations, the public would find them more profitable, and, in many instances, more convenient than our present silver coins. The Banking disasters in America were almost unconnected with the *subdivisions* of paper currency, and can be traced to defective regulations, and the liability of the issuers to pay *in coin*—a liability which augments any distress, arising from badness of seasons, or of markets, political events, &c.

Dr Colquhoun's statements of the public losses, sustained by

So supine were the directors of the *Bank of England* on this point, that they not only disregarded all remonstrances respecting the execution of their notes until very lately, but also *retained* the forged notes presented to them, granting the holder merely what was termed an investigator's ticket, specifying the date, sum, and marks on the forgery ; so ineffectual a method of enabling the holder to trace back through whose hands it had passed, that it looked rather like a bounty or protection to forgers, and the forgery itself is therefore *now* given back, *marked* at the Bank *as forged*, that the holder may avail himself of any peculiarities in the paper, engraving, signatures, endorsements, or marks thereon, to recover from *preceding* circulators, or detect the first issuer. But the interest which an individual feels in the case of a £1 or £2 forgery, is seldom sufficiently powerful of itself, to lead to the detection of the makers ; and even when aided by the exertions of the Bank's law

*base coin*, and the practices of clipping, sweating, or filing, what is genuine, shew that the loss *in London alone*, in 6 months, from these causes, has *frequently exceeded* the amount of all the forged *notes* under £2 throughout Britain, *for the last 15 years*, which the parliamentary papers prove to have been less extensive than is generally imagined.

agents or officers, there must be fewer chances of detection, than if the Bank's circulation was more *local* or smaller in amount, another reason why rival issuing Banks should be established in London. To return, however, after this long digression, to the state of English provincial Banking, it appears, that some persons have taken out licences who were only *sham* Bankers ; in other words, persons who took all sums offered to them upon interest, used every *artifice* to displace the notes of more respectable issuers by their own, gave no discounts or banking accommodations to the public, and too often employed the funds, thus obtained, in ill-planned or worse conducted speculations, to the ultimate ruin of their defrauded creditors, amongst whom were frequently the workmen who had previously found temporary employment in their speculative manufacturing or mining undertakings. Others who may have had considerable capitals, originally, have got so entangled with trading concerns, as to render all their Banking operations subservient thereto ; leaving their Bank creditors exposed to the fluctuations and insecurity, originating in the pecuniary necessities or losses of their manufactur

ing or mercantile connections or partnerships. Some Banks, again, of capital and respectability, have got into a practice of advancing very large sums to great mercantile or other establishments, upon their *single security*, from little or no other apparent inducement than the commission obtained on such advances and on the total of their current accounts, or mercifully, perhaps, from an anxiety to compete with rivals in trade, who were determined to push business at all hazards. It may be true that, on the *average*, such advances are *repaid*, but it is also true, that many English Banks have been obliged to pause when contingencies disabled their debtors from effecting re-payments at the *expected* periods ; and many others, both in the country and in *London*, have been ruined and rendered bankrupts by their over-confidence in one or two great houses, for whom they came under acceptances or advances. Banking Companies, with numerous partners, and managers who dare not give way to private feelings, are not so easily dazzled by the temptations, adventurers on a great scale contrive to throw in the way of more limited partnerships ; and whilst they present every desirable facility to the enterprising and in-

dustrious of all descriptions, the public is never subjected to the fears, disappointments, and losses, from their operations, which they have so often experienced by restricted partnerships, thus hazarding their own fate and that of many of their connections, upon the stability of some overgrown trading firm.

Instead of advancing on the *single* security of a customer, the Scots Banks, almost universally, grant what are termed *cash* or *credit* accounts, upon the *bonds* of the principal, and at least *two* sureties; and although Dr Adam Smith took some trouble in explaining their advantages, (see vol 2d, p. 37.) they still appear to be little understood, or at least rarely adopted in England. Their effects have been likened, by some of our parliamentary orators, to those of Mr Law's proposed land banks; but they appear to forget, that such credits merely give the *option*, to the principal in the bond, of drawing out, *upon interest*, Bank notes, payable in Bank of England notes or specie, *on demand*; and the books of the Scots Banks would prove, that a very great proportion of these credits is frequently *unused*, from the *inability* of the parties to employ the money *profitably*; and large sums, on the contrary, at

the *credit* of their accounts, on an interest of 3 or 4 per cent. Whether the extent drawn out upon these credits varies with the apparent changes in the *market* rate of interest, I have no means of ascertaining, but it might naturally be supposed, that when the *market* rate of interest is *under* 5 per cent. there would be least drawn out on credit accounts, on which 5 per cent. interest is *always* charged by the Banks. The Bankers exercise due deliberation before granting a credit of this kind, and as it is generally found to exist for a considerable number of years, it is only given upon such security as is likely to continue *permanently* good for the amount. The *sureties* to the bond will also weigh, of course, with similar deliberation, the probable steadiness or success of the principal ; and as they will be continually superintending his after-progress, that they may withdraw their guaranty, if he is mismanaging or imprudent, cash credits may be productive of useful checks to rash or improvident conduct amongst the numerous classes of enterprising tradesmen, merchants, &c. to whom they may be granted. The Bank account of the principal is always *open* to the inspection of the *sureties* ; and as they are also, to a certain extent,

liable, when the credit is not fully used or drawn out by him, for *bills* with his name in the hands of that Bank, his current *discounts and acceptances* with it are also open to their inspection ; and as parties holding credit accounts, in general, confine their business chiefly to one Bank, a great portion of their operations is thus, at all times, exposed to the observation of respectable persons interested in their welfare. In explanation of the liability alluded to, for the *bills* of the principal in the bond, I may observe, that if the credit was for £1000, and the principal had become bankrupt, and was only owing the Bank £300 upon it, the sureties would be bound, by the wording of the bond, to pay any *losses* the Bank might sustain by the *bills* of the principal, to the extent of £700, being the balance *undrawn* on the credit account. Amongst the numerous advantages attending credit accounts, they enable many to enter upon useful undertakings, requiring outlay of capital for a considerable period, who might otherwise have been unable or afraid to do so. If a young man gets his sureties to sign a *bill* at 3 or 4 months date, instead of signing a bond for a credit account, he must be dependant on the caprice or convenience of the Banks

for its renewal for such periods as might be desirable in any protracted operations he may have embarked in, upon the faith of this credit by *bills*; whereas, in the case of *bonds*, the Banks almost never call them up, so long as the principal continues to keep an operative account, or the sureties and himself remain good for the amount. At all events, it is provided for in the bond, that such *warning* shall be given, before it is put *in force*, as may enable the parties to get a similar accommodation at some other Bank in the interval, or to dispose of their property without the disadvantages of more sudden or pressing demands for re-payment\*. The weakness or discredit of many Banks in England, under the limitation as to partners, may partly account for the want of cash credits there, as such Banks could not, with propriety, venture to grant permanent credits to any extent, on the faith of their circulation, or deposited money, remaining permanently unaffected by "*runs*" upon them by the public; and they would consequently prefer

\* Cash credits, since the Act of 33. Geo. III. c. 74. have been frequently granted by the Scots Banks, on the security of lands, houses, or other heritable property, and this practice might certainly be *extended* with much benefit to the community.

keeping all their investments in the more tangible shape of bills or government securities. Credit accounts are in some degree a check to, or substitute, for *accommodation bills*; and although the latter are, no doubt, in pretty extensive use amongst the agricultural classes, and a few of the manufacturers, &c. in some parts of Scotland, they appear to be still more general in England, partly, to appearance, from the *want of credit accounts*, and partly also from a mode, said to be very generally adopted by the English Banks, of advancing only *a half or two thirds* of the bills lodged with them, or of discounting bills on condition, that a certain proportion of the proceeds is allowed to remain at the credit of the indorser's current account, either at a *lower* rate of interest than is charged on the bills so discounted, or liable to a charge of *commission* when the account comes to be settled.

In this manner, the English Banks may have always large balances at the credit of their mercantile customers,—another reason why they should be perfectly safe themselves, at least as secure as the abolition of the restriction can make them; but, as it may be asked how the *retention* of such balances, which is also

common with some of the Scots Banks, encourages *accommodation* bills, I may remark, that few traders can afford to have a half or a third of their *bona fide* bills locked up in this way, and, consequently, many are tempted to get the command of their *real* funds, by throwing into the Banks accommodation paper, to the extent of the sums so retained, on bills lodged. I am no enemy to *accommodation bills* betwixt parties, beyond the reach of common contingencies in trade, and consider it altogether impossible, that *their* multiplication could raise the price of all articles by depreciating the currency, in the absence of *metallic* standards ; and, as to the attempted distinction betwixt *bona fide* and accommodation paper, which is said to guide the discounts of the Bank of England and others, I shall elsewhere endeavour to shew, that they will best benefit society and themselves by discounting *every good bill offered to them*, and, paradoxical as it may sound, that it would be better, perhaps, for society, if there were *fewer* of what are termed “*bona fide*” and *more* accommodation bills presented to Banks for discount, provided that the makers of the latter were unquestionably safe for the amount.

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But accommodation bills have been, and still are, generally manufactured by parties equally adventurous or speculative, and expose the drawer of one bill, who accepts another to the acceptor of the first, to be called on for payment of both bills ; when the latter fails, or if they *both fail*, their estates, in Scotland at least, are ranked on for *both* bills, greatly to the reduction of their *dividends*, and to the amusement or employment of lawyers and accountants in tracing the variety of curious questions, and intricate accounts, originating in such rankings.

The extent of these, and other ultimate risks, is not always duly appreciated by the makers amidst the complexity of accommodation bill transactions ; and even when all the parties are undoubtedly safe, it is a much more expensive and troublesome method of raising frequent or permanent supplies of capital, than by obtaining a *credit account*, as the Banking regulations require the renewal of such bills every two or three months.

In noticing the retention of half or third of the amount of bills lodged or discounted by many Bankers in England, I might also have added, that many of them, instead of discounting *every* lawful day, do so comparatively seldom, there-

by exposing their customers to much inconvenience, and to a charge of *extra* interest, by obliging them to discount a considerable time before they actually require the proceeds.

The obstacles to commercial intercourse, and the numerous other inconveniences attending the limitation of the *credit* of many English Banks to their own local circle, and the difficulty of passing their notes beyond it, whether in good or bad credit, are well known ; and, as previously remarked, several in good credit have made their notes exclusively *payable in London*, with the view of commanding a more extended circulation ; but it is thought this plan has been adopted by some others, rather to evade the *immediate* effects of sudden “*runs*” upon themselves, as by the time any great number of their notes could be presented at their *London* agent’s for payment, in cases of panic or distrust, the issuers would have an opportunity of making provision to retire them. Besides, if such London agents, from the want of previously provided funds, chose to allow any portion to remain unretired, the issuers might endeavour to misrepresent or conceal, in their own neighbourhood, the *real* cause of their agents’ refusal, so as to prevent *this* dishonour

of their notes producing the same alarm as if they had been protested for non-payment, at their own places of residence or business in the country.

But as this practice may be followed by *speculative* or doubtful houses, to the ultimate injury of the public, all such notes made payable *in London*, ought to be payable *also* where these issuers reside ; for even where they are safe, it may not be always convenient for the holder to present them for payment in London, and he may find other provincial Banks, from rivalry or other motives, refusing to take or exchange them, because they are not also payable in the country. The proper remedy, however, for some of the numerous grounds of complaint against the English provincial currency would be, in imitation of the Scots provincial Bankers' exchanges in Edinburgh, the appointment of agents in London, by each Bank, who would retire such of its notes as were presented to them ; those notes bearing, at same time, to be payable at no other place than the head office of the issuers. The optional clause in some of the present provincial notes, might be so interpreted, perhaps, as to enable the issuers, supposing them capable of such conduct, to

evade the payment, until forced by the result of an action at law, as they could refer the holder, who asked payment from themselves, to their London agents, and the latter could send him back to the country, only to receive a similar reference to such agents, and thus be kept out of his payment betwixt them.

The frequent partnership betwixt English provincial Bankers and their agents in London, have sometimes produced most disastrous results ; and during the continuance of the present limitation, as to the *number* of partners, precautionary regulations for such connections might be very desirable. The *accepted* drafts of provincial Banks upon their London agents, at 30, 40, or 60 days date, have been found, in too many instances, no better than the mere *promissory notes* of the drawers, who very often gave nothing else than these *drafts* for the local bills they discounted ; and from the necessities or ignorance of their customers, contrived to keep a large amount of them at all times afloat.

The cupidity with which some small or restricted Banking Companies are apt to push their circulation and credit, is well known, and renders the restrictive law very incompatible with the security of the public, even

when they confine themselves to *Banking*; but when we have seen them establishing firms in London, and elsewhere, for the express purpose of drawing and re-drawing on each other, as Bankers, stock-jobbers, merchants, &c., and persevering in a ruinous and unprincipled course of speculations, with the money of their unsuspecting creditors, we can only wonder that the almost indescribably pernicious consequences have not long since roused the active and reflecting population of this free country, to demand the natural and proper remedy for evils so intolerable, either by the establishment of enlarged public or corporate Banks, or by the subjection of the present to proper inspection.

With all this insecurity too, we have seen the traders, &c. of London lodging immense sums with such Bankers, without receiving a penny of *interest*, whereas, with solid and extended public copartneries, interest could be afforded on these floating or *temporary* balances, the same as on more permanent deposits\*.

\* The interest on *current accounts* at most of the Scots Banks, is the same as on the more permanent deposits under the head of *interest receipts*. It was formerly, however, very usual to allow 1 per cent. less on current accounts than on receipts, and also

The frequent insecurity of deposited money with English Banks, must have kept most depositors in continual *anxiety*; an evil, only inferior to the actual losses sustained by Banking failures. An accountant indeed may say, that only 1 out of 50 men, on an average, can lose so much, perhaps, as £100 in 3 or 4 years by such failures, and that the depositors in general are *over timorous*, but *they* cannot be expected to make such nice calculations; and when the enormous debts and miserable dividends, of the numerous insolvent Banking Companies in England, since 1785, are remembered, the *fears and apprehensions* with which the public must have been *tortured*, in addition to their real losses, will be considered as too well grounded, and a fruitful source of general inquietude and unhappiness. These anxieties and suspicions, before the adoption of *Savings Banks*, must have tended to render the *lower orders*, in particular, careless and *improvident*.

still more usual to allow 1 per cent. less on such receipts, if the money was uplifted within six months, after being deposited, than when permitted to remain longer uncalled for; but one or two of the most popular Banks have never adopted this distinction, which indeed appears to be rather a tax on the depositor's necessities, and somewhat tantalising to those who are obliged to present their receipts, only two or three days before the six months elapse.

Those who did not *hoard coin*, had little temptation to submit to *privations*, for the purpose of becoming creditors of suspected Banking Companies ; and, on the contrary, might more naturally be led to exchange, *at once*, the doubtful paper they received in wages, &c. for the usual articles of consumpt or enjoyment ; afraid, perhaps, that even before they could accomplish *this* object, the issuers might fail, and leave *them* in the distressing situation thousands of their fellow-labourers throughout England were yearly plunged into, from the same cause, and who, rather than run after commissioners, &c. for 12 or 18 months, for their 2s 6d, perhaps, of dividend, would generally be found selling their pound note for a shilling's worth of groceries, or spirits, to the wealthier or more speculative traders in their neighbourhood. On the other hand, the frugal and provident, but credulous labourer, has too often seen the savings of many year's unceasing toil, swept at once from his grasp, by the failure of the Bankers he had lodged his hard-won earnings with ; and often found himself *forced*, after his honest, manly, and exhausting exertions had disabled him from *retrieving* this overwhelming calamity, to soli-

cit that *charity* he had once bestowed on others, with the sight, perhaps, of his starving wife and children, to add to his anguish and despair. Will men, thus reduced to beggary, be more disposed, in consequence, to view the higher classes with affection or respect, when the profligacy, the extravagance, or the inexcusable speculations of Bankers, may have produced such wide spread misery? or can those *laws* by which *bankrupts* were, or still are, enabled to transmit to *their* children, valuable and *unattachable* estates, command the *veneration of ruined creditors, or their famishing families?*

It is little alleviation to these sufferings of the lower orders, to tell them, that they might have invested their savings of 10, 15, or £20 in the purchase of government securities, bills of exchange, &c.—Such operations are out of their sphere; and, if they attempted them, they could only find *inferior* agents to take the trouble of conducting them. And how often the powers of attorney, or other authorities, to the agents of *ignorant* and *poor men*, would be *abused*, may be inferred from the numbers of rich and *well-informed* persons, who have been utterly ruined by the baseness

of *agents*, pretending to the *very highest respectability*, and whose frequent and disgusting abuse of the confidence reposed in them, at last elicited the recent enactments, rendering it *felony*. The expenses too, of such investments on *small* sums, would present still more serious obstacles than these risks of agents. But the lower classes are not the only sufferers by Banking failures; thousands born to, and previously enjoying every comfort, luxury, and refinement, have, in a single hour, been reduced to poverty and want from this cause, the restriction under review having been pregnant, apparently, with excitements to deception, fraud, and injustice of every description, by its lowering the *standard* of Banking respectability, and thereby enabling many to attain, through artifice and disregard of honourable principles, a temporary credit they were never deserving of.

What a contrast to all this is exhibited in Scotland, where the most ignorant inhabitants of its remotest, or worst peopled districts, almost universally prefer Bank notes to specie, and where the currency, which even at present is very partially *metallic*, would be almost entirely in paper, if government allowed the cir-

culation of notes under £1. In any calculations of the individual or national loss which has attended the *hoarding of specie* in England, the compound interest on, or the reproductive powers of so much sunk capital, during the last 100 years, will be found to be immense ; and it might benefit those persons who despise all plans for the promotion of national wealth, which do not strike them as magnificent or novel, if they patiently make up this progressive account of interest, even on the *lowest* sums of coin they may assume to be hoarded.

Some people have advocated the propriety of the restriction, as to partners, on the ground that it promoted the formation of greater numbers of Banks\*—that the smaller each was, it would enter more keenly into rivalry with the others, and thereby present the public with every desirable accommodation, whilst their increased numbers afforded stronger checks against any of them *over-trading*, and, at same time, by so minute a division of the business, diminished the risk of loss to the public, when any of them chanced to fail. Without enter-

\* That effect is not to be found, at least in the non-existence of issuing Banks in Lancashire or in London.

ing into any formal or laboured examination of this theory, the fallacy of which has been exposed by undeniable facts, some of which are previously noticed, I may here remark, that instead of finding in several of the small towns in England, *branches* of some respectable neighbouring Bank, we have seen two or three small Companies, keenly engaged in picking up each others notes, by various reprehensible methods, or endeavouring to excite a run on one of their number, which frequently produced a run on *them all*; and although their operations might not actually terminate in bankruptcy, they could not ultimately be productive of material benefits to the public.

In the larger towns again, Bankers require to be possessed of great individual wealth, to command full confidence amidst such extended and important transactions; and many of immense wealth are therefore to be found in such situations, but instead of holding out greater facilities to the public, than would be done by a Bank composed of a great number of individuals in more moderate circumstances, the majority of these rich Bankers will generally do the reverse. In the receipt of princely incomes, they will, in most cases, feel

disinclined to take the trouble and risk of the smaller kinds of customers ; and although their junior partners or clerks may be most willing to do so, the independent fortune of the principals too often gives a tone of indifference or *hauteur* to the establishment, sufficiently repulsive to some of the humbler classes of traders, &c, many of whom deserve every support and encouragement society can give them, as part of its worthiest and most useful members. There are, no doubt, exceptions to all such general observations on the natural consequences of great individual wealth and influence, but on the whole, I am perfectly convinced, from personal experience, that it is impossible for the most liberal, intelligent, and wealthy of the restricted, and consequently more numerous English Banks, to do more for the public, with safety and profit to themselves, than is done by the majority of the corporate and unchartered Banking Companies and Bank branches in Scotland. Those, of course, among the last mentioned Banks, who have the greater portion of their partners engaged in active professions, are the most *popular*; and the oldest established, most liberal, wealthy, and active Companies, composed of only eight or ten

partners, have been decidedly unable, in many respects, to compete successfully with some of the more recently established Companies, whose stock has been judiciously subdivided amongst several hundred partners, actively engaged in various pursuits, and residing in the different provincial towns. Each of these numerous partners may present a source of valuable information to the executive or directory, and at same time, may open up to every industrious and deserving man, additional channels of introduction to, or communication with, these dispensers of the surplus or unemployed capital of society. In addition to the opportunities thus enjoyed, of procuring extensive and accurate information regarding the circumstances and probable success of individuals, such Banks may safely accommodate, *on the faith of his share in their stock*, any person in the list of proprietors, whose circumstances, &c. they are less minutely acquainted with, these shares being preferably applicable to the payment of the Bank's claims, in terms of its articles of copartnery. Without particularising the objections to this liability of each partner's stock, for the Bank's claims on him, which could easily be answered on general grounds of ex-

pediency, it gives many industrious people Banking facilities they could not have otherwise commanded; and while it renders *them* more independent of Bankers than the same classes in England, few persons of a more speculative or doubtful class, will find their designs much promoted, in general, by permanent or even temporary investments in Bank stock, their circumstances will not warrant. It must be always kept in view, that if there are any *real* advantages attending *limited* Banking partnerships, such Companies are not suppressed by a repeal of the present restriction; and, on the contrary, would be left at full liberty to employ their utmost activity, intelligence, wealth, or credit, in opposition to the more extended Banking associations here recommended. But as a proof that the latter are neither defective in activity, nor that pliability which varies their operations, as circumstances dictate, I may observe, that, with every legal power to establish agencies, none of the English or Irish Banks ever tried to do so in Scotland, whilst some of the Scottish Banking Companies, on a large scale, have pushed their business and circulation in Carlisle, Newcastle, Berwick, Appleby, Alnwick, &c. in the North

of England, and in Belfast, &c. in Ireland,—although the restriction prevented their doing so more *directly*,—without neglecting, at same time, any corner of their own country, likely to yield them any profitable business or circulation, as appears from the large sums transmitted at considerable expense and risk, to and from the Orkney and Shetland islands ; in which last, their operations appear to have stimulated the inhabitants to the recent formation of the *Shetland Bank*.

The operations of these larger Banks, too, in the *funds* have been conducted with a degree of discrimination, decision, and ability, very agreeably indicated to the partners by the large dividends and bonuses declared in consequence ; and although, in a few instances, some of them have curtailed their discounts, rather improperly, from large funded investments, their rivals were always on the alert to secure any customers, disposed to change their Bankers from this or other causes ;—and when we consider the ease with which advances could be at all times obtained in London by respectable Scots Banks, either on their government stock, or on their own security alone, such occasional curtailments of dis-

counts by any of their number, must have been merely to save the expense of *commissions*, &c. attending the obtainment of these *advances*; and, on the whole, the public appear to have had very seldom any real or general complaints against the Banks, *collectively*, on this score. As formerly noticed, I am not unmindful, that the money disengaged by a transaction in the government funds, is always equal, of course, to the sum then locked up or invested, and that the sellers may give the purchasers back their own money in the shape of the above-mentioned advances on stock; and in disapproving, therefore, of the stock operations of some of the *English* Banks, I only meant that they might be more frequently conducted under the influence of sanguine notions, and the bold and dashing keenness of men, bent on realising rapid fortunes, than those of public Banks free from the same influences, and under the necessity of always attending to the wants and opinions of a considerable body of proprietors. Smaller concerns, subject only to the control of one or two partners, may be apt to disregard the *local* calls on them for accommodation; and to plunge into funding speculations, to an extent unauthorised by

their means or credit, and the more limited these are, the greater difficulties will they afterwards experience in procuring *advances* on such investments, to the extent they might wish.

In the *meantime*, the local wants of their neighbourhood, as to discounts, &c. must be supplied by the circuitous or expensive methods already hinted at ; and uncertainty, and fluctuation, must therefore accompany the operations of such Banks, whether they prove ultimately solvent or not.

The superior activity, and keener rivalry, which are alleged by their advocates to be the characteristics of restricted Banking Companies, are sometimes displayed in attempts to depress any manufacturing or mining establishment, for instance, which they may imagine likely to *interfere* with similar concerns they themselves are partners of, and to the support of which, however speculative or hazardous, some of them have so frequently sacrificed, *rashly or remorselessly*, the funds obtained in their Banking capacity.

Bankers in *this* situation, instead of dispensing with steadiness and strict impartiality, the public funds they have the command of,

and thereby encouraging a *wholesome rivalry* amongst the traders, &c. who *do*, and those who *do not* require Banking accommodation, are only anxious to prop or extend some monopolising, mercantile, or manufacturing establishment of *their own*. The consequence is, that when a run on the Bank takes place, (and this is more likely where they are so connected) their great manufacturing or other concern is deprived of its former support, and becoming embarrassed, heightens the public alarm about the *Bank*, until one or both, perhaps, fail, leaving a wide scene of bankruptcy, distrust, misery, and idleness, to succeed, for a time, the temporary stimulus, trade, credit, and labour, had experienced from their previous operations \*.

To add to the distress of the Bank creditors, in instances of its becoming bankrupt, *in con-*

\* The Board of Agriculture estimated, that in one English county alone, the local currency was reduced *three millions* in 1815 and 1816, by Banking failures; and, though this reduction appears greatly over-rated, and more likely to have been only three hundred thousand, Mr Horner, and others, declared in the House of Commons, "that the universality of misery, produced from this cause, was hardly exceeded by that which followed the Mississippi scheme in France." But, as before remarked, none of these gentlemen appear to have recommended any proper preventive against a recurrence of such disasters.

*nection* or partnership with such trading concerns, government have often issued *writs of extent* for duties, &c. due by the manufacturing or trading company, against their shares or funds in the Bank, thereby greatly diminishing its composition or dividend ; and this result has been still oftener experienced, perhaps, where the partners were collectors of taxes, and had misapplied or not accounted for their collections. The whole demands and supplies of any district, down to the smallest articles of consumpt, are instantly and very *permanently* affected by *any shock to credit*, accompanying the temporary suspension of payments, or the ultimate failure of its Bank or Banks. Other districts immediately feel the effects, and, as they may be more or less connected with it, *re-act* with more or less pressure on the *previously* suffering district, by the failures *they* also experience within themselves; and these re-actions are perpetuated in a circle daily becoming more extended and more distressed, until matters reach *a deplorable minimum*. It is easy to conceive, that under such a defective system, the failures of one or two considerable Banks may create runs on most of the others throughout the country, ending

in the bankruptcy of many of them and their connections, and producing, from an originally slight or *local* cause, effects of the most disastrously *national* importance. Any natural and *general* fall of prices, occasioned by favourable seasons, political events, &c. is greatly augmented, when it exposes *Bankers* to losses they cannot stand, or are even *suspected* to be unable to meet; and that *fall* in agricultural and other products, which produced, in 1815 and beginning of 1816, so many failures amongst various classes, *before* many of the *Banks* began to give way, became still *greater*, as *each* agricultural, mercantile, or *Banking* failure, accelerated *others*; and the irremediable insolvency of thousands, at that period, who could have easily stood out against the mere *natural* fall of prices, under *secure Banking arrangements*, ought to have awakened government, and the nation at large, to the dangers of delaying their adoption\*.

It would be uncandid, in this place, to over-

\* It is fortunate for our *Colonies*, that they have been permitted to form joint Stock Banking Companies, without limitation as to the number of partners, but rather surprising, that the others have been so backward in imitating the paper currencies of the Banks in Canada, the East Indies, and New South Wales.

look an objectionable feature in the past management and control of some of the Scots Banking Companies' *branches*, and which assimilated them, in some degree, to the weakest or unniest of the English Banks. They got men for a small salary, not exceeding, perhaps, two, three, or four hundred pounds, and varying little with the *inequalities* in the risk or extent of local transactions, to take the trouble of conducting agencies, and to guaranty all bills discounted thereat, and all advances to individuals, excepting upon credit accounts granted at the risk of the Bank, besides becoming responsible in other respects, such as misconduct of clerks, &c. These agents were usually men of some address; and, whether in good or bad circumstances, were obliged to find approved sureties to the Bank, for their intromissions or agency operations, to the extent of 5 or £10,000. Whether *partly* prompted by vanity, or a design of rendering their Banking influence and opportunities subservient to the promotion of their own or their connexions' political or commercial aggrandizement, it is clear, the *salary alone*, could seldom have induced them to guaranty bills, &c. to the amount of hundreds of thousands sterling, annu-

ally. Some lawyers and land-factors, who took all these risks for the sake of gaining business in their respective professions, got involved with their clients or the landed proprietors they acted for; others who became Bank agents to carry on trading or manufacturing concerns, they were directly or indirectly engaged in, had, generally, “too many irons in the fire.” Some carried their *political* friends through thick and thin ; and almost all of them got into embarrassments, were dismissed, or became bankrupts, to the great loss of their sureties, and frequently of their employers, whose funds they were, unfortunately, too often led to *misapply*, amidst temptations gradually acquiring strength with the continuance of their first errors, or with every fresh deviation from the legitimate, prudent, and impartial exercise of their agency duties. It cannot escape observation, that continual vacillations must have characterised the movements of such men ; and that, whilst some of his nominal friends seduced the agent into delusive and extravagant speculations, or were themselves induced to engage in them, from his misplaced liberality, the more *deserving* customers of the Bank were, perhaps, neglected, and their wants

laughed at, until the misrule and partiality of the agent attracted the notice of his employers, and forced him to assume a temporary appearance of better behaviour,—sometimes the prelude to exhibitions of capricious, selfish, domineering or revengeful feelings, still more disgusting and distressing to the majority of those around him. These results were, generally, more observable where the agents were limited to a certain weekly or monthly sum of discounts, in which case, those not immediately connected with them, had frequently little chance of obtaining any reasonable share of accommodation. But, on the other hand, so many mixed motives unite to render an agent *over liberal*, that few men have really firmness to resist them, even when sinister or personal pecuniary gains are entirely out of the question ; and the *prevailing fault* of the Scots Bank agents, has, therefore, been *an indiscriminate compliance with the applications they were assailed with*. Under obligations to their sureties, the latter have not been always very delicate in urging their claim to a reciprocation of favours ; and the apparently sincere attentions paid them in public, and still more flatteringly in private, all tend to disarm persons, in this situation, of their natu-

ral caution, and, for a time, to lull them into the belief, that every man they meet with is as safe, honest, and as much their friend as he *appears*; and this impression, uniting with the pleasure of relieving so many wants, and doing so much apparent good to others, has too often betrayed Bank agents, of *upright and philanthropical principles*, into irretrievable ruin. But the practice of Bank agents guarantying discounts, to the extent of *millions* annually, who were never, perhaps, worth 5, 10, or £15,000, is the most striking circumstance, certainly, in this system, and appears so inconsistent with common calculation, and common sense, that it is not to be wondered at, if the Banks are now altering it; and the only ground for surprise is, that they did not do so many years sooner. I believe it is now partially the custom to render the *salaries* of agents dependant on their success in avoiding bad debts, the proper risk of which the Bank, in such cases, takes upon itself; whilst the agent has thus every inducement to render it as little as possible, to secure a proportionate remuneration for his labour. In other instances, the agent guaranties such a portion only of the discounts, &c. as may, on the average calculations

of bad debts, be fairly authorised by his rate of salary ; and in one or two instances, the agent is relieved from this risk, and being paid accordingly, acts with the advice of *local* directors.

Either of these methods, but particularly the *last*, appears preferable to the plan of rendering the agents alone responsible ; and might, if considered desirable, be combined with the principle heretofore followed in many cases, of remunerating the agent in proportion to the extent of certain items in his transactions, which may be supposed the best indicators of the value or profits of the agency to the Bank. By throwing the *whole* risk of discounts on its agents, a Bank has often felt less entitled to interfere with their proceedings, however desirous of correcting the abuses sometimes originating in the great individual influence, and the accompanying errors, self-will and contumacy of these agents, many of whom they were afraid, indeed, to quarrel with, notwithstanding all their imperfections; from the difficulty of obtaining more suitable persons, able and willing to take the same risks, and possessing equal local knowledge and ascendancy. With all these, and other disadvantages however, the Bank branches

have been decidedly beneficial to Scotland, and will certainly be still more so in future, under improved regulations. From whatever motives the agents took the risk of discounts, &c. on such disproportionate allowances of salaries or commission, it must be admitted, that some of them have displayed great firmness, judgment, and ability in avoiding loses, whilst they afforded every reasonable accommodation to the public. The very lowness of the agent's salary, and the prospect of deriving *some* profit, at little or no risk to themselves, no doubt, induced the Banks to establish branches, in various instances, in situations originally too unpromising for a more expensive class of Banking operations ; and *two or three branches* are frequently seen in places, or districts, unequal to the formation or employment of a *local* Bank, with sufficient capital, to insure general credit. From this competition of Bank branches, the poorer, or less important districts, are placed in the possession of all the Banking facilities enjoyed by the richer, or more populous portions of the country, whose surplus, or unemployed funds, are thus frequently and most beneficially transferred to

the points most in want of them\*; and even where the branch has more deposited money and circulation, than the amount of its own current discounts, or other advances to the public, the parent office, or some other branch, will always present sufficient opportunities of employing such overplus usefully. By the reciprocal interchange of information, the office-bearers or directors at head quarters, have a very general and correct knowledge of the provincial traders, &c. through their own agents and partners, diffused over the face of the country; and the latter, of course, acquire, at same time, a similar knowledge of persons carrying on business at a distance from their own positions—thus enlarging the circles of *individual credit*, and presenting many inducements to the cultivation of commercial intercourse, betwixt individuals and places the most remote from each other. A person whose business is principally in the provincial towns, and who is considered safe at the head office

\* The Commercial Banking Company of Scotland, amongst many other agencies, have branches at Thurso and Annan, 380 miles distant from each other, and have thus an opportunity of disposing, for instance, of the London paper purchased at the latter, to the customers of the former branch, or of forming similar combinations, in other respects, in the course of their operations.

of some of the Edinburgh Banks, finds himself a welcome customer amongst their line of branches, and thereby derives a variety of advantages in the prosecution of his own affairs —such as the friendly advice or hints of the directors or agents, in the selection of his mercantile connections, and the superior ease of communicating with, or transmitting money, bills, &c. from one to another of their offices, in addition to other accommodations already noticed, or sufficiently obvious.

*Local Banks*, whose partners reside principally in one place, and whose trade is chiefly amongst manufacturers of, or dealers in some staple article, are liable to be affected by the vicissitudes of that locality ; and unless possessed of unquestionable capital, and managed with skill, are apt to rise or fall correspondingly, in their own credit with the public ; and are, therefore, sometimes obliged, in consequence, to restrict their discounts and advances, at the very moment their customers stand most in need of them : on the other hand, *branches* of Banks, whose partners are scattered over various districts, and whose business is not confined to one or two towns, or to one or two classes of persons, experience little or no

fluctuation of credit from the cause alluded to. The changes which may depress one description of customers may render others prosperous; and the diminished application for discounts, or increased deposits and circulation of the latter, enable the Bank to give additional discounts to, or counter-balance the diminished deposits and circulation of, the former. A well arranged chain of branches, in short, is calculated to strengthen each of the component links; an extension of business at any one of them, whether in deposits or circulation, having a tendency to promote similar effects at *all* the others\*; as every person knows, who has experienced how strikingly one class of a Bank's connections impress their own ideas of its credit, or general respectability, on others at some distance, amidst the numerous ramifications of commercial intercourse. Besides the disadvantages already alluded to, which either prevent the formation of local Banks, or expose some of them to occasional discredit, many people in small towns, and particularly where the majority are embarked in the same branch of trade, feel rather averse to submit their bills, and

\* In the absence, of course, of such *local* fluctuations in trade as these just alluded to.

money transactions, to the decision or inspection of *rivals*, who happen, at the moment, to be also Bank directors, and would, therefore, prefer transacting with any Bank branch, conducted by a *neutral* person, where their operations would be scrutinized by fewer and less inquisitive eyes. Whether this *jealousy* is, in most cases, well or ill founded, or whether it will probably wear off, as all parties become more enlightened and liberal, it will no doubt be kept *in view*, in the arrangement of new Banking Companies in England, if the speedy repeal of the present prohibitory law, should sanction the desirable union of a greater number of individuals in such partnerships. It is probable, that branches will gradually spread from the Banks, in the more central or wealthy, to the smaller towns, as better adapted, on the whole, to their wants and circumstances, than local Banks of their own; and such agencies, under the control of one or two active and prudent *local* directors, not deeply engaged in the staple business of the place, might present more advantages, and excite less of the jealousy alluded to, than independent local establishments. Many even of the present English Banking Companies, have numerous branches, and they would, therefore, no doubt,

become still more general under a system which would afford, to a vast number of individuals, an opportunity of becoming partners in more extensive Banks ; and in which each of these individuals would find his own interest as a stock-holder, more or less promoted by every transaction he or his friends might have with the head offices or branches of the institution.

The *agents* for such Banks might enjoy the same facilities and security as are possessed by those in Scotland, whose transactions, with the partners of the concern, are rendered safer, by the liability of their *stock* for all claims, by the Bank or its agents ; and at same time, the practice almost universally followed by the Scots Banks, of granting their partners credit accounts, to be operated on, either at the head or agency offices, on the security of their shares, to the extent of one half or three-fourths of the sum paid up thereon, would present powerful inducements to persons in business becoming share-holders. In thus rendering its capital operative on excellent security, the Bank is enabled, not only to offer to the public the guaranty of a much greater number, perhaps, of well known or respectable people in business than it otherwise could do, but makes

sure of correspondingly numerous friends and connections,—having also the power, when required, of *recalling* these credits,—though, at same time, it may be remarked, that, as in the case of the Scots Banks, the high credit, and consequent deposits and circulation of establishments so constituted, could hardly ever render this measure necessary.

The arrangements under which the original formation and subsequent operations of such institutions might be conducted, will, of course, be susceptible of every variety of modifications, dictated by local considerations or circumstances; but those will best promote the interests of the establishment, and of the public, which tend to secure activity, strict attention, and unremitting perseverance on the part of the directors and executive, with an extensive participation of profits by a numerous proprietary. A wide field for the exercise of ingenuity is here presented; and when we daily meet with the most incessant application of great intellectual powers, to improvements of little or no moment to the mass of society, there can be no doubt, that when the attention of this “thinking people” is fairly directed to the important subjects

connected with Banking and pecuniary operations, that rapid and essential improvements will be introduced therein ; especially, as every individual, from the throne to the cottage, is more or less interested in their effects or result. The Scots Banks have various excellent regulations\* ; but many may be of opinion, that it might be frequently desirable to vary from these, in future Banking concerns,—for instance, some might prefer, that the partners were *individually limited* to very small shares of stock, so as to give the utmost possible encouragement to the union of numbers, and a *minute subdivision of profits*, under the idea, that whilst such Companies could venture on even more extensive and comprehensive plans of operation, than three or four persons possessing the same capital, this extension of partners would, of itself, most powerfully diminish the risk of those runs which have often become so distressing to, or subversive of respectable but restricted copartnery, solely from the want of a numerous body of proprietors, each

\* Printed copies of their articles of copartnery can easily be obtained, and might furnish a good ground-work for future incorporated or similarly extensive Banks in England, keeping in view, of course, the differences betwixt English and Scots law.

of whom, by his influence or activity, could have contributed to check any panic in its very commencement. To this individual influence and exertion of their share-holders, may be ascribed the slight and temporary description of those runs, from which, even their subscribed capitals, and the extensive properties of their numerous partners, could not, altogether, protect the larger Banking Companies of Scotland in less enlightened times.

The prejudices which may, for some time, survive the abolition of Banking restraints in England, will therefore command a preference for arrangements founded on the above and similar considerations. For instance, if a company was formed at Manchester or Birmingham, with a capital equal to the largest of the Scots unchartered Banks, instead of allowing its stock to be exposed to the *chance* of being principally engrossed by a few capitalists, they might provide against any individual holding more than *one* share, classing these shares into divisions similar to the following :—

200 of £200.....	£40,000.
100 of 300.....	30,000.
100 of 400.....	40,000.
100 of 500.....	50,000.
100 of 800.....	80,000.
100 of 1000.....	100,000.
50 of 2000.....	100,000.
20 of 2500.....	50,000.
20 of 3000.....	60,000.
10 of 5000.....	50,000.
<hr/>	
800 Shares, Total £600,000.	

In the formation of such a copartnery, a vast variety of circumstances, both of a general and local nature, would, of course, require to be attended to, and the above is merely an off-hand sketch of the classified divisions of stock, and by no means proposed for exact imitation. It may serve, however, to elucidate the following remarks: Supposing a fair opening for such a concern, the first question is, how and by whom is it to be consolidated? Some may prefer, that the persons who are disposed to take £5000 shares should have the power of naming those who are to hold shares of £3000; that these two classes should appoint the third,

and as each additional division was incorporated, that the whole should thus go on, appointing the next in gradation, until the lowest was completed, and the subscription closed. Others might prefer the reverse method of procedure ; conceiving that it might present stronger checks against designing and ambitious men, projecting a Bank from improper motives. Supposing the latter method to be followed, each of the 6 lowest divisions could delegate ten share-holders, the 7<sup>th</sup> eight, and the 8<sup>th</sup>, 9<sup>th</sup>, and 10<sup>th</sup>, four each ; the whole forming a committee of eighty, for the purpose of electing twelve directors, either openly or by ballot—say three out of each of the four highest classes of share-holders ; that is, holders of shares above £1000\*. Four of these directors might go out annually, and be disqualified for re-election during one or two years thereafter ; they, and the committee, either acting under an official oath of fidelity, &c. or not, as might be deemed requisite.

The committee of eighty could receive a

\* The six lowest classes would, of course, be particularly careful in the *selection* of the higher share-holders, exigible for the office of director, and look more to their character and connections, than their mere ability to purchase a share.

monthly or quarterly report from the directors, on the Company's affairs, and might delegate ten of their number, being one from each class of share-holders, as a sub-committee, to vouch for the accuracy of this report, after full inspection of the Company's books, papers, &c. If one half or three-fourths of the committee disapproved of any material part of the directors' proceedings, various degrees of corrective authority might be entrusted to them. Forty of this committee might annually retire, and their places be supplied previous to the committee filling up the annual vacancies in the directory.

Whether all the members of the committee, without regard to the *class* of share-holders they represent, should have only *single* votes might, of course, deserve consideration. Full and accurate *printed statements* of the Company's affairs, specifying, free of any sort of disguise, the respective heads under which they were more minutely particularised in the books, duly vouch-ed by the directors and sub-committee, might be distributed at the half yearly or annual general meetings of the proprietors ; or the lat-ter might rest satisfied, perhaps, with a solemn declaration by four-fifths, at least, of the whole

committee and directors, as to the actual premium or discount at which shares ought then to be sold—the total profit or loss during the preceding year—and the corresponding addition to, or deduction from, the *sinking fund*, if the profits were not always divided as they were realized. It might serve various good purposes to provide against the disposal of any class of shares, at a *different rate* of premium or discount from the other classes; and to maintain the observance of this rule, by sufficient penalties, payable to the Company. To secure also the business and support of those who are the best customers of a Bank, and the most active and persevering promoters of any undertakings they embark in, it might be considered necessary to prohibit all persons from holding shares, who were not engaged in some profession in which they had opportunities of *essentially* forwarding the interests of the establishment.

To prevent collusions at the outset, or any subsequent diminutions in the *numbers* of those *actually* interested in the promotion of the Company's welfare, it might be proper to insert a declaration, in all deeds of adherence to the contract, signed by new partners, that they

did not purchase the share for behoof of any *previous* share-holder ; this rule, of course, to commence with the second signature adhibited to the contract itself, originally.

With the *same* view, no purchases of shares, for behoof of the *Company*, might be permitted ; and to guard against shares getting into the hands of disreputable or inefficient partners, no transfers passed without the sanction of nine directors.

To protect buyers and sellers of shares from any sort of misconception or misrepresentation as to their value, a statement of the price *last paid*, and what the directors and committee *conscientiously* considered them worth *at the moment*, could be daily exhibited at the principal office of the *Company* ; no person, as before noticed, being allowed to hold more than one share.

It is only fair to remark, that with all their superiority of credit, &c. over some of the English Banking Companies, the unrestricted Banks of Scotland have not *always* steered clear of the close borough system ; and either from the very unequal distribution of their stock, or from other causes, the directors appear, in some instances, to have considered

self-election in the light of a valuable and highly proper privilege. It is true, the *form* of calling general meetings for such elections, was of necessity complied with ; but it is well known, those directors who went out in rotation had previously nominated or approved of their successors ; appointments the general meetings appear to have wanted the spirit or ability to dispute the propriety of, and the consequence was, that the management of the concern, with the accompanying patronage or influence, fell into the hands of a dozen or fifteen persons, eight or nine of whom, after all, were disqualified by age, ignorance of trade, non-residence, habitual non-attendance, or by their interest in rival concerns, from discharging their directorial duties, with credit to themselves, or beneficially, for the institution and the public. Notwithstanding that the most beneficent or comprehensive plans, the more energetic and patriotic members of this ill-selected body entertained, for the simultaneous promotion of national and institutional interests, were frequently thwarted or greatly curtailed by the various defects of their colleagues, they still merited the warmest thanks of their countrymen and copartners ; and to

such men, almost every public spirited undertaking in Scotland, during the last century, has been deeply indebted for support and encouragement. The defective conformation, or subsequent management of these Banks, appears, however, on the whole, to have greatly accelerated the formation of those rival Companies which the augmented trade of the country would eventually have called into existence ; and they appear to have allowed these younger and more popular establishments to obtain as great a share of business, in ten or fifteen years, as *they* now retain, with all the advantages of a hundred years pre-occupation of that field, in which, it is probable, their now *awakened* or future efforts will never re-establish their former predominance. If, therefore, ill-regulated Companies, on a large scale, could become lethargic for a time, notwithstanding the competition of such active and respectable, but less extensive Banks, as were opposed to those just alluded to, we have here the most convincing proof, that this lethargy will only hasten the commencement of equally *enlarged* partnerships, betwixt whom, and the consequently *re-animated* establishments of longer duration, a most beneficial rivalry will subsequently be

waged. But even the more recently formed extensive Banking Companies of Scotland, owing, perhaps, to the very unequal extent of stock, held by individuals, are not apparently conducted under regulations sufficiently popular, nor even such as to secure the partners against the *possibility* of the directors or office-bearers taking an undue advantage of their official information in the purchase or sale of *shares*. The respectability of the gentlemen who are, or have been, in these situations, should, no doubt, screen them from the slightest breath of suspicion ; but no man can confidently affirm, that their successors, in all time coming, will be equally honourable and disinterested. At present, little or no information is afforded, in some instances, to their fellow-partners, by the directors, respecting the progress of the Company's affairs, nor any material change made from the practices of the older Banks already noticed, in the re-elections of the directors for a long series of years, from a limited circle of 18 or 20 partners, three or four of whom replace in succession an equal number going out, so as always to maintain a dozen or more of this self-selected or elected body in office. Now, although it may be said,

that the rule which obliges sellers of shares to offer them to the directors for behoof of the Company, and to obtain their refusal before they can sell them at a lower price to the public, affords a criterion of their real value; still it appears desirable and practicable to obtain some corroborative criteria on this point. The seller, in ignorance of the real state of the Bank's concerns, may offer shares to the directors at too *low* a price; and, it is needless to allege, that he could guard against this, by taking some trouble to ascertain the last price obtained; for, independent of *intervening* occurrences, affecting their real value, the preceding sellers, in all probability, would be equally ignorant of this value as himself; and it might be easy for directors, with this optional power of rejection, to create a depression in the market price of shares, that they or their friends might purchase in, and, by subsequent acceptances of shares, for behoof of the *Company*, at a *higher* rate, be enabled to re-sell with a profit.

In communicating a rising tendency to the price of stock, in this view of re-sales, it is possible they could raise the *market* price far above the real value, saddling the Company,

during this progressive rise, with large sums of stock at an artificial price ; and conclude, by leaving *it*, or some unfortunate dupe, in the lurch, with shares they themselves had been thus buying and re-selling in the names of their private friends or associates. But, supposing the *Company* to be kept uninjured amidst such artificial depressions and exaltations of stock, many individuals, who bought and sold in ignorance of these sinister movements, might be most materially injured, even by those transfers which were not directly connected with the actual purchases and sales of the fraudulent parties, but necessarily regulated by them as to *terms*. It is in vain to urge, that the *present* directors of Banking Companies have been, are, and always will be absolutely incapable of harbouring the most distant idea of such unjust and selfish schemes ; for, without calling all this in question, we have the strongest examples in this and every other age or country, to warn us against placing even the most upright men in situations of great temptation. Many in higher stations, and with still more important trusts reposed in them, have in all periods swerved from the paths of honour and strict integrity, seduced by neces-

sity, ambition, or contaminating associations ; and as the affairs of great Banking Companies, in *past* times, have been sometimes only minutely or thoroughly known to, or correctly appreciated by one or two of their directors or managers ; so in *future*, it would be easy for two or three clever unprincipled men to produce such favourable or unfavourable impressions of the value of stock, on the minds of their honester but less watchful colleagues in office, as might best suit their own views of jobbing therein.

Many other and better methods than those previously suggested for the prevention of such malpractices in existing or future concerns of this kind, will readily occur to persons with greater leisure for reflection on these points ; and that some precautions are desirable against *other* descriptions, *at least*, of directorial jobbing, of a less flagrant nature, but more hurtful to the interests and harmony of the partners, is well known to every person acquainted with the direct or indirect losses sustained by some of the older Scots Banks, by improper accommodations to speculative or needy directors and their connections, in the absence of a vigorous and constant control, by

committees or otherwise, over all the branches of the executive, on the part of the proprietors. Even some of the wealthiest persons in Scotland were alleged to have rendered their official opportunities as Bank directors rather inexcusably subservient to their own private speculations, to the injury of the Bank, as appears from Mr Allan's pamphlet or letter on the subject, some years ago.\*

It is not so much on account of wealth or influence, as upon a reputation for high and well-tried purity of principle, that directors should be chosen by the partners of a Company, whose stock may be subdivided somewhat similarly to the outline previously given: At same time, the less exposed such men may be to pecuniary necessities, so much the better, and no person should fill that situation who could not conveniently pay up his stock, or who was previously unable to get his own Banking business effected with facility. In short, the directors of such a Company ought to be men unquestionably possessed, at least, of considerable property, if not of great fortunes, and totally unsuspected of improper or interested designs in accepting of office; men of accurate business-habits, and, if possible,

thoroughly conversant in the details of the various branches of trade, manufactures, &c. in which their customers are engaged, with an extensive knowledge of individuals, and their connections, circumstances, &c. Such men will be able to take comprehensive and just views of every thing which can generally or partially affect the establishment, or any of those connected with it; and the more deeply they have studied the practical parts of political economy,—above all, *human nature*, and the diversified appearances it presents amidst the variety of objects and passions which interest or agitate it,—the more enabled will they find themselves to discharge their duties beneficially for their constituents and for society. Few situations, indeed, afford such scope for the exercise of all the higher virtues, or can yield a man of expanded, yet discriminating philanthropy, so much real pleasure as that of a leading conductor of enlarged Banking operations, wherein the finest combinations of arrangements, and most refined calculations, for the benefit of the copartnery, are so immediately dependent on, or so eminently conducive to the general welfare of the community. The keenest merchants and Bank directors

who had risen, by incessant toil and privation, to consequence and independence, have often shown themselves most enthusiastic participants in the promotion of every rational project for general or local ameliorations, devoting, with noble disinterestedness, to the service of the public, or of individuals, that time, influence, and ability, their success in life proved they could appreciate the value of in their own affairs.

There can never, therefore, in this country, be any difficulty of procuring persons fully qualified and willing to encounter the drudgery of a persevering and rigid attention to Banking management, *gratuitously*, or at least with a comparatively indirect remuneration, in the possible effect, thereby produced, in the *returns* of their stock.

The numerous sources of pleasure presented in such a situation, to persons of enlarged, exalted, or liberal views, will be obvious to every reflecting mind ; and men who combine energetic business-powers, with a leaning to enthusiasm, in their notions of the progress of mankind, will, of course, be the best calculated to undergo the labours and anxieties of their official stations. Such persons generally de-

rive intense gratification, either in *correcting* what is wrong, or in keeping matters, at least, from going wrong ; and, with these requisites for the promotion or preservation of the *co-partnery* interests, will generally be found combating all difficulties in promoting those of the community, and overlooking all the partial displays they meet with of human ingratitude or worthlessness, under a lively sense of the better moral qualities they discover, or think they discover, in the *majority* of those around them, and a still stronger feeling, perhaps, of their own real or probable *utility* in aiding the march of human improvement. There will be always sufficient alloy in the “*men-of-the-world*” coadjutors, of such liberal-minded Bank directors, to quiet the fears of those who may weakly imagine that caution and calculation are incompatible with obliging or generous dispositions ; and the total inefficacy of the maxim, “that Bankers ought to suppress all their sympathies” in promoting even the selfish views of its *followers*, is distinctly visible in the heartier or more general support given to, and the immense gains realized by those Banks who have despised such short-sighted policy.

The best conducted Scots Banks obtain the

gratuitous services of their directors ; and the few experiments made in others to secure better attendance or stricter attention, by holding out pecuniary rewards, have been rather *unprofitable* to the payers. In future establishments, however, of this kind, it might be desirable that the proprietors, the committee, or his fellow-directors, should have the power of appointing another director in room of any one who had been absent, while in good health and on the spot, from one-fourth or one-half of the directors' meetings during the preceding six months ; and many other regulations could be enforced to procure due attention and vigilance. This, however, will be best attained by a proper selection, in the first instance, of persons duly qualified for the situation by residence, leisure, or a lively interest in the concern.\*

\* It is, perhaps, owing to a want of proper *selection* in the formation of some of the Scots Banks alluded to, that the directors have adopted the self-election system, if not in form, at least in substance ; as it may be difficult for the partners to maintain a desirable rotation or change amongst the directors, out of the small number of proprietors fully qualified for the office.

It may be said, indeed, that, by the present system, these directors acquire greater Banking experience and tact, than if seldom in the direction ; but, if three or four persons were annually elected to that trust, who had never undertaken it previously, they

It may be almost superfluous to observe, that the success of such establishments must materially depend on the assiduity, ability, and integrity of the office-bearers, such as manager, cashier, secretary, and accountant, according, of course, to the necessity for all or part of these official distinctions or divisions. These persons, being acquainted with the whole minutiae of the Bank's affairs, should be uniformly applied to by the directors for every information connect therewith ;\*—for their *opinions* of customers, and of all important matters of business, wherein it may be presumed their general or official knowledge may be useful; particularly, from the more continuous or unbroken nature of their intercourse with the customers, and of those trains of thought and calculation their constant superintendance of the Bank's affairs must necessarily give rise to. The parties filling such situations in the executive should be possessed would be less likely to enter into any possible collusions or improper schemes of the others, who had been some time directors; and, as the latter would still form the *majority*, their experience could be usefully combined with the vigour of some, or the timidity of others, of their new colleagues.

\* In some of the Scots Banks the manager and secretary constantly attend the meetings of the directors—the manager *voting* as a director.

of almost every good quality, to be able to do full justice to their opportunities of benefiting their employers and the public ; and, in addition to those already noticed, should unite untiring affability and readiness to oblige, and be able, by their address, activity, and good temper, not only to gain the esteem of the public and Bank proprietors, but also to act as pioneers or harbingers to the directors, in all projects or plans for extending the business, &c.— harmonizing *their* jarring opinions thereon, at the moment they may be skilfully and unostentatiously supplying any defects of temper or information displayed at the Board. It is miserable policy, when persons, uniting all these and other requisites for such situations, are daily to be found, to fill their places with *mere*, and perhaps much worse, book-keepers or note-counters ; and still worse policy, when able men are accidentally fallen upon, to stint them to a paltry salary, and either to exact disproportionate, and, consequently, less ardent exertions on their part, or to allow their abilities, through personal jealousy or niggardliness, to remain in a great degree useless to themselves and others. It is unnatural to expect that men will perform these laborious and highly

important and confidential duties in the *most satisfactory manner*, unless correspondingly rewarded, (as the remarks on some of the Scots Bank agencies may partly illustrate) ; and, whilst they were made *sure* of a tolerably liberal salary, their employers might find their own profit in exciting and maintaining their utmost exertions, by allowing them such a small per centage on the profits, or on certain items in the operations, as would not, with the salary, be any over-payment for their labours.

Establishments resting on so broad a basis as those here recommended, with a numerous, well-selected proprietary, possessed of sufficient property and influence to protect the Bank from runs, and to secure for it a great share of business, should, under able and zealous management, become signal examples of what can be accomplished with proper arrangements, by men true to their own and each other's interests. Such establishments are also entitled, upon other grounds, to the encouragement of every well-wisher of his country.

If composed of partners actively engaged in some branch of employment, the profits of Banking, now realized by a few men, some of them with overgrown fortunes, will be diffused

amongst a great number of the most productive and useful members of the community ;— and the exclusion of annuitants from the copartnery is not only justifiable, from their inability to benefit the Bank so effectually as those in business, but might stimulate them to become active labourers also, either to regain the revenue now yielded by their shares in Banks, or, if not losers in this respect, to *preserve*, at least, their *relative* consequence amidst the increasing wealth of the industrious classes.

I may afterwards attempt to trace the various good effects of a political, moral, and commercial nature, which entitle associations of this description to every possible support ; and, in the meantime, beg to remark, if they should not meet with very universal patronage at first, owing to public prejudices, or the interested opposition of existing interests, that they, in a great measure, combine all the requisites for eventual success *within themselves*, and that opposition should only infuse fresh vigour, vigilance, and unanimity of purpose, into every member of the copartnery. Some of the older Banks of Scotland, with an illiberality and short-sightedness disgraceful to business-men of the nineteenth century,

used every artifice and exertion to prevent the obtainment of a charter by the British Linen Company, and, in the same spirit, endeavoured to crush other rival establishments in their very commencement. Indignant at these pitiful displays of antiquated narrow-mindedness, the partners of the new Companies exhibited astonishing activity in the acquisition of deposits and the extension of their circulation ; and, having the good wishes and zealous co-operation of every man possessing correct notions of individual rights, or the freedom of trade, they succeeded in almost displacing the notes of the older establishments alluded to, in that very circle where the latter had vainly hoped to prevent these new Companies obtaining the slightest credit or circulation by their own persevering rejection of their paper in every transaction—a persecution in which they had the influence to procure the assistance of most of the government offices in Scotland\*. Notwithstanding that these Companies started

• It is generally understood, that after this hostility terminated, the circulation of the persecuted parties experienced a material declension ; a result extremely probable from the relaxed exertions of their partners and friends, on the ultimate acceptance of their notes, by those who had thus previously discredited them.

amidst unprecedented commercial embarrassments, and were consequently burdened by the necessities of a great number of their partners who had either become shareholders from the sudden and impolitic refusal of discounts previously at the older Banks, or who were cut off from all such accommodations after they were known to be proprietors of the new concerns, still the latter not only relieved most of these individuals from their difficulties, but, by liberal and judicious aid to a great many others, and well-timed efforts to maintain credit generally, they averted the otherwise unavoidable failures of many ultimately solvent and respectable persons, and speedily brought some of the *older* Banks to discount more *freely*, in the fear of losing all their mercantile connections.

In the face of these and other obstacles, the stock of one of the most extensive of the new Companies shortly rose to £150, from the original cost of £100, their dividend on the *latter* sum being £8 per annum, for some years after it commenced ; and at this advance their stock still continues, notwithstanding the failures amongst speculators in land, farmers, manufacturers, and merchants, which have

been unfortunately so numerous in all parts of Scotland since 1813.

The managers of such establishments may have been deterred by the spirit of rival hostility, displayed at their commencement, from affording more particular explanations to their partners regarding the Company's affairs, in the dread of thereby presenting their antagonists with materials for their misrepresentations; but they will, no doubt, relax from this secrecy, whenever they consider the injurious effects which could by any possibility attend franker disclosures, to be inferior to those which they must be aware are produced by their present reserve. The same reasons, however, for directors withholding from their fellow-partners that information they are rationally and legally entitled to, cannot operate with equal force in the unrestricted Banks which may be formed in England, as the pre-existing Companies there could not present an equally formidable opposition, either in the numbers, credit, or influence of the parties connected with them. If they even attempted to do their worst, the greater population, and the consequently more general diffusion of wealth, and more numerous instances of individuals in

easy circumstances, aided by the manly independence of thought and action which may be partly the cause or effect of their greater political liberty, would stimulate the English public to afford any new Banking Companies, of a more popular nature, a still higher degree of encouragement, if possible, than even the recent Companies experienced in Scotland.

The prejudices alluded to, as tending to operate, at first, against local issuing Banks, in some parts of England where none are yet established, could not, of course, repress the favourable feelings with which the public, in other quarters, have been just supposed likely to hail the substitution of unfettered Banking Companies for some of the existing concerns. But even *these* prejudices must speedily vanish before the influence and exertions of numerous respectable partners, in establishments so organized as to command a great trade among their own proprietors, until their prudent and successful management could dispel the fears and doubts of the most timorous or sceptical persons not so immediately connected with them. No calculating man, indeed, could doubt the *ultimate solvency* of an institution with a capital of 5, 6, or 8 hundred thousand pounds,

backed by the private fortunes of its partners, equal, at least, in all probability, to 5, 6 or 8 *millions* more; and he could hardly feel any great want of confidence in the guidance of the concern in the *meantime*,—if intrusted to men of well known ability and judgment,—particularly with the successful examples of the Bank of England, and Scots Banks, in his recollection. With the view of obviating the *possibility* of any permanent prejudices among the better-informed classes, the smallest share in the previous *pro forma* division of the stock of such a company is £200,\*—to secure partners of some *property*, even in its lowest component parts; and it is to be presumed, persons of greater wealth would not be deterred from taking a £3000 or £5000 share, merely because one for £20,000 was unobtainable. Most people know, and others may be of the same opinion who have perused the preceding remarks, that the prosperity of a Bank is not, in general, dependent on a large paid up capital, but on the numbers and respectability of those interested in its welfare, from their

\* Smaller shares, however, would be found very useful in many cases, particularly if *transfers* were practicable with little expense and formality.

individual liability for its engagements. The poorest districts in Scotland generally yield the Banks or Bank branches more deposits and circulation than their amount of local discounts or other advances ; and they are therefore enabled to conduct extensive operations, either upon a small portion of the subscribed capital being paid up, or after the repayment of a considerable part of it in the shape of *credit* accounts *on stock* ; maintaining, at the same time, large investments in the government funds, exchequer bills, Bank of England, Royal Bank, Bank of Scotland stock, &c. Considering, therefore, the vast sums which would be deposited with well-regulated unrestricted companies in England, there would be little necessity for calling up the whole sum subscribed, where they were on an extensive scale. Or, if considered prudent that the full subscription should, in the first instance, be realized, credit-accounts or repayments thereon could be obtained by the proprietors, when circumstances authorized. The districts in which prejudices are strongest against local paper currency, and which are, consequently, without any at present, will, no doubt, be found with Banks of the greatest capital and most numerous pro-

prietary, whenever uncurtailed companies are tolerated in England, as they present fewer obstacles to the formation of powerful copartnerships than those parts of the country which are already overstocked with small, or possessed of a tolerable number of respectable Banking Companies.

The field being so open, however, on the whole, for the establishment of Banks in England, on the broadest and most popular basis, will, no doubt, be ultimately occupied by associations of the most solid and lasting description ; as three or four persons will not surely be permitted to derive an immense revenue, as the middle-men betwixt the holders of minute portions of capital and the borrowers thereof, or to engross the whole benefits of supplying the traders or inhabitants of any district with a circulating medium, if the latter can perform all these functions more safely and productively for themselves and the public.

The shares of such institutions might, indeed, be most beneficially allotted, *in part*, to the lower classes of the population, in sums, perhaps, of 20, 30, or £50 ; and, being justly entitled to a participation of Banking profits as the principal contributors thereto, they will, in

all probability, form an important portion of future associations, when the successful progress of the first unrestricted Banks shall have obliterated all existing misconceptions or prejudices respecting paper currency. Independently of many other good consequences which may result from the ultimately minuter subdivision of the shares, the middling or lower ranks of people will feel still more interested in the preservation of good order and industry in society, and will experience the strongest stimulus to accumulation, correctness of conduct, and the improvement of their mental powers, in the powerful ties attending an intercommunity of Banking interests with the higher orders, and which would afford them an opportunity of distinguishing themselves in their intercourse with their fellow-partners. Instead of following the barbarous and disorganizing system of metallic currencies, or of paper currency convertible into coins or ingots, the day, perhaps, is not distant, when an *unmixed* currency, in the paper of great public companies, will circulate in Britain, and the present theories of the bullionists be laughed at, even by themselves.

However plausible the reasons may appear,

and which many persons will, no doubt, urge for a greater or less degree of *concealment*, in regard to the affairs of future free and extensive copartnery, it will, most probably, be found the best policy to give them the utmost publicity. The Bank of France, and some other similar institutions, have never made a secret of their matters, and have had no cause to regret their candour and openness.

The numerous Shipping, Canal, and Fire and Life Insurance Companies of Britain, are, in general, equally explicit in their statements; and why *Banking* associations should form an exception, is not so very generally apparent as some Bankers may imagine. If companies with large capitals, and numerous proprietors, should meet with any losses, the frank avowal of such disasters might rather promote than injure their interests. It would prevent those misstatements and exaggerations by their enemies, which usually accompany concealment; and as the public would, of course, be satisfied that the *security* of the concern was still unexceptionable, its *credit* would remain undiminished. The directors and partners might also feel, if possible, still stronger inducements to exertion,

in retrieving those or similar disasters, by this exposure of them to public animadversion, than where the knowledge of such circumstances was confined to managers, ashamed or unwilling to acknowledge them, and more likely to incur fresh losses by injudicious or over-anxious attempts to conceal or retrieve the first, if they were even free from that indifference and self-complacency so apt to overtake men whose directorial errors or misfortunes are only known to themselves.

On the other hand, a candid acknowledgment both of profits and losses would stimulate the conductors to greater exertions, from that love of approbation or vanity which would be gratified in the public admiration of their dexterity in realizing the one or avoiding the other. The constituent members of Companies whose stock was classified or subdivided in the manner previously recommended, could scarcely feel their sense of individual interest so strongly as to render them reluctant to acknowledge profits, in the dread of thereby augmenting Banking rivalry; and they may be assured that successful or effectual concealment, on this or other points, is very rare, even with private, and hardly practicable for

*very long periods*, with enlarged and public copartneries. The comprehensive nature of the copartnership will present the best security against any rivalry which may be embarrassing or very injurious *to it*, or undesirable on other grounds ; and if the public was *properly* accommodated by *one* Bank in a town, little encouragement would be given to the projectors of another. One Bank, fully adequate to every desirable purpose, would, of course, maintain a smaller reserve of specie, or Bank of England paper, and would be at less expense in stamps, paper, &c. of notes—in salaries—rents of offices, &c., than would be incurred by two or more companies dividing the same business amongst them ; and its circulation and other sources of profit being greater, relatively, to its capital, than if so divided with rivals, would enable it to do business on easier or more liberal terms. In short, the juster appreciation of their true interests is daily becoming more general among all classes, and will prevent any unprofitable or unnecessary rivalry in these or similar establishments. The same cause and the rapid extension of education will gradually enlarge the numbers and *objects* of economical societies, whose success,

hitherto, among the lower orders, has been frequently thwarted or retarded, from their deficiency in arrangements, and inability to conduct matters upon sound calculations or business-principles and methods. Many articles of home consumpt, in particular, might be advantageously manufactured or retailed by these associations of consumers ; and, by the selection of active, well-informed, and economical managers, might be as profitable, in proportion to each of their members, as the unlimited Banking partnerships in Scotland, and fully as able to compete successfully with individuals in the same line. But, even in Scotland, Banking institutions are evidently defective in the unequal distribution of their shares, and, as the augmenting population and trade call future Banks into existence, they will, no doubt, be differently constituted in this and various other respects ; and the field for their successful operations would certainly be very extensive, should the present thinly-peopled districts ever become sufficiently populous to afford encouragement for the establishment of Banks or Bank branches therein. The counties of Peebles, Linlithgow, Dumbarton, Kinross, Kincardine, Cromarty,

Sutherland, Nairn, and Orkney, *being nearly one-third of Scotland*, have no Banks or Bank branches. The shires of Inverness, Ross, and Caithness, with an area of 7922 square miles, forming very nearly another third, have, in all, only one local Bank, with 2 or 3 partners, and six Bank branches, 3 of which are in the town of Inverness. By far the greatest portions of the counties of Aberdeen, Perth, Argyll, Moray, and Banff, are 15 or 20 miles distant from the Banking stations they respectively possess; and, with the exception of a very limited kind of agency at Inveraray, there is not a Bank or Bank agent betwixt Greenock and Thurso, a distance of, at least, 320 miles in a straight line,—the small agencies at Rothsay and Campbeltown being considerably in the opposite direction. A person, following all the curvatures of the coast betwixt Greenock and Thurso, would travel about 2000 to 2500 miles, from the numberless indentations of lochs and bays along its whole extent. In addition to this vast interval on the mainland, we may add all the Hebridean islands, whose increasing importance, in a commercial view, is particularly visible in the Clyde shipping lists. The Scots Bankers are

well aware of the advantages which might *ultimately* reward the first adventurers on these wide unoccupied fields for enterprise ; but, until a still stronger disposition is manifested, amongst the mercantile or manufacturing classes, to avail themselves of the natural capabilities of these extensive districts, it is probable they will not hazard the expense and risk of agency establishments therein, which would certainly be considerable at present from the difficulty of finding proper agents, and of communication with the remoter parts of the mainland and islands during winter. Although, therefore, some of these Bankers have for some years past been anxiously watching the gradual developement of the resources of these hyperborean regions with feelings of self-interest, not altogether unmixed, perhaps, with patriotic anticipations, they are likely to confine *their* assistance in the present less direct channels which convey to the inhabitants of the *interior* Highlands, and of the north west coast and Hebrides, the powerful stimulus of Banking credit and currency. These channels are to be found in the present Banking positions near the border of the Highland boundary. Greenock, Glasgow, Campbeltown,

Rothsay, and Inveraray, facilitate the operations connected with the extensive fisheries to the north and west of Clyde, and also of the farmers and graziers for an immense distance in these directions.

As the fishing vessels are principally fitted out from Clyde, or places south of it, or from Ireland, and as these are also the markets for their cargoes, there is less occasion for branches at such stations as Oban, Fort William, Tobermory, Ullapool, Stornoway, or other seats of the customhouses where such vessels are cleared out to obtain their tonnage and barrel-bounty certificates. The same remark is partly applicable to the farming or grazing districts, as the farmers, and exporters of their cattle and sheep, are generally under the necessity of frequent visits to the fairs or towns in the South, where they have opportunities of making their pecuniary arrangements at the Banking positions already noticed, or at Falkirk, Stirling, Callender, Crieff, Perth, Dunkeld, Cupar Angus, Kirriemuir, Forfar, Brechin, Aberdeen, Huntly, Keith, Banff, Elgin, and Forres, being the other Bank stations near to, or upon the Highland boundary.

These stations certainly afford great accom-

modations to the Highland districts; and if the existing spirit and energy, so visible amongst many of their inhabitants, are not checked by some unforeseen cause, this interesting portion of Scotland must inevitably continue in a progressive state of advancement; and, however instrumental the late protracted *war* may have been, in introducing or augmenting this energetic tendency by the high prices it occasioned for Highland produce, it is probable improvements will be more rapid and permanent during a profound peace of half the duration, now that the stimulus has been fairly communicated. Amongst many other grounds for this supposition, the reduction in the army and navy, and the continual influx of retiring wealthy men of all professions, desirous of enjoying their retirement in their native districts, must rapidly ameliorate the condition of various parts of Scotland in every respect, and, by the experiments they may probably venture upon in the extension of mining, fishing, manufacturing, or agricultural operations, may induce Bankers to supply the existing deficiency of branches in the counties or places previously noticed, particularly as the rapid fall in the

*rate of interest* since the peace appears to indicate a difficulty of employing, in the richer and more densely-peopled counties, the funds they have at their disposal. The system of entails may present some obstacles to these anticipated results; but still, such a tolerably minute subdivision of property may in general be obtainable as to encourage the experiments alluded to, especially as the various canal, sea, and land conveyances for travellers and goods are in a course of astonishing improvement and extension, and a thinly-scattered poorly-employed population of 200 or 300 thousand persons only waiting the opportunity of bettering their condition by those habits of industry and economy for which they are distinguished when employed in the South. The fisheries could be pushed to a much greater extent; roads and canals could be multiplied, at comparatively small expense, across the numerous narrow necks of land which there divide the finest bays and lakes in Britain, facilitating the transmission of cattle, sheep, wool, fish, kelp, timber, copper, lead, iron, marble, granite, freestone, slate, or the other natural products of the country; also of lime, marl, seaweed, and all kinds of manure. And, if the

seams of coal on the Argyllshire or north-western coast, hitherto so little explored, were ultimately found too few or unproductive, such improvements would still further reduce the cost, in the *interior*, of coal brought coast-ways from Ayrshire and Clyde, which is already very moderate, should the forests and mosses present any future deficiency of fuel. The woollen, cotton, thread, linen, soap, and glass manufactures might obtain that footing which the cheapness of labour, the numberless waterfalls for machinery, and the easy obtainment of the raw materials should authorise : the commercial intercourse with many parts of Scotland, England, and Ireland, might be greatly extended ; and, whilst a great portion of the coast and islands in question is admirably situated for the American trade, the fisheries could maintain a still greater connection with the Baltic and Mediterranean countries of Europe, and with Hamburgh, Bremen, &c. enlarging, in return for this and other exports, the imports of cotton, hemp, flax, flax-seed, grain, ashes, timber, wines, brandies, tobacco, &c. Banking operations would speedily rouse the dormant or languishing activity of thousands in those parts of Scotland whose abili-

ties and labour are so imperfectly exercised at present in drawing forth the resources and energies of their country, merely from the greater limitation of individual credit and scarcity of the requisite circulating medium attending their distance from Banking stations. A considerable part of the *middle* and *southern* divisions of Scotland is in a similar situation ; and the *woollen* manufactures, in particular, of the latter would certainly assume a degree of activity and importance, hitherto unknown, were Bankers and other capitalists to enable the manufacturers to introduce all those profitable combinations of machinery and divisions of labour which are so general in England. Wherever, in short, borrowers can be found able and willing to pay *interest*, the lenders must, of course, be promoting the general good of society, in thus consulting their own, even were annual interest, generally reduced to one shilling per cent. and these apparently digressive minutiae have only been entered into from a desire to draw the attention of capitalists still more strongly, if possible, to those *probable* openings for the employment of their funds at the *highest* rate of interest, and, consequently, with the

greatest benefit to themselves and the community. To return, however, to the more immediate subjects connected with Banking details, it may be deserving of notice, after the remarks on the mode of settling imports and exports at Liverpool, &c. *in London*, that the foreign trade of Scotland is subjected to a similar charge of commissions, pars, postages, &c., by local and London Bankers, in effecting the settlement of its imports and exports ; and, for the same reasons, direct foreign exchanges with Glasgow and Edinburgh, at least, might be very desirable. The importers, in other parts of the country, could accept payable in either of these cities, and the exporters could purchase, of course, these drafts on the importers on the foreign exchanges. The Scots traders have only to come to an understanding among themselves, to secure a more direct mode of settlement. A person abroad, who might find no demand, by *direct* remitters to Scotland, for his drafts for exports to it, could still sell them at very little less than if drawn payable in London. When the *first* of a foreign bill of exchange reaches this country, the holder in London or elsewhere incurs the trouble and expense of sending it to the draw-

er for acceptance, or of employing an agent to get it accepted and returned to London, where it usually remains with some mercantile firm, until the *second* of exchange, which is generally circulated or *indorsed away* by the *drawer*, is presented to this firm, in consequence of their name appearing on the second, as the parties who will deliver to the holder thereof the previously accepted first of exchange, that *he* may thereafter obtain the cash in this country, by the re-delivery, both of the accepted and unaccepted drafts, to the discounter or payer.

The agents in London for the Scots Banks could easily negotiate any foreign drafts on Scotland which had not been purchased abroad by persons desirous of effecting *direct* remittances to Scotland ; or these drafts might be exposed for sale on the London Exchange, &c., where parties, who were debtors to others in Scotland, might purchase them at a discount, perhaps, of  $\frac{1}{8}$  or  $\frac{1}{4}$  per cent., and secure this profit to themselves, by remitting them to their creditors in Scotland, who would prefer this mode of settlement to drawing on their debtors in London, as they could get no premium on London paper, from Scots Bankers,

to indemnify them for the stamps of such drafts, or the postages getting them accepted; and might also find it easier to get a foreign draft, with various indorsations, on an importer residing, and accepting it payable, in Scotland, *discounted* by these Bankers, than their own accepted or unaccepted drafts on their debtors in London. An obstacle to such economical arrangements may be found, in the dislike of exposing their transactions to each other, which has been previously alluded to as accounting for the few bills of exchange circulating in Scotland, even when their circulation would be profitable to the parties, and unattended with any of the objections which have been urged against certain descriptions of mercantile bills so circulated in England. But, supposing this feeling to wear off, it might still be necessary to hold out stronger inducements to importers, for instance, in Dundee, Aberdeen, &c. accepting foreign drafts, made payable, as proposed, in Edinburgh or Glasgow, instead of the present practice of domiciling them in London, by reducing the expenses of retiring such acceptances in Edinburgh or Glasgow; for, although the latter can at present be cheaper retired than if payable in London,

still, in the example given (page 52) of a Perth merchant purchasing goods in Leith, they appear to be rather too high.\* Should persons residing in London, debtors to others in Scotland, or Bankers there, who are agents for Scots Banks, neglect to avail themselves of the profit, which we have seen could be made by purchasing drafts made payable in Scotland, the Scots Banks, themselves, might find it their interest to do so, through their agents in London: for instance, any of them who had sold out of the funds, and could not sell a sufficient quantity of their own drafts on London, at the usual par or premium charged by Bankers, could in this way realize, *in Scotland*, the proceeds of such sales of stock or other funds they had in London, with the profit of, perhaps,  $\frac{1}{8}$  or  $\frac{1}{4}$  per cent. on the amount, or of any other rate of *discount* at which Scots paper might sell in London. These Banks could thus compensate any diminution in their present commissions for retiring acceptances of their customers made payable in London; or, if the holders of Scots paper could not get it easily negotiated in Lon-

\* The numerous Branches of the Edinburgh Banks should enable them to retire the acceptances of their provincial connexions, thus domiciled in Edinburgh, at a very moderate expense.

don, they might still send it to the Banks in Scotland best acquainted with the names thereon, who could order the proceeds, *free of commission if payable in the same place*, to be paid to the discounter's order, by their London agents, *less 20 days' interest*, being the par against Scotland.

The practice of importers, in fixing credits with London houses on whom the shippers abroad pass drafts in payment of shipments to Scotland, will, no doubt, still continue to curtail the extent of *direct* drafts on Scots traders by foreign merchants. This practice originates in the greater connexion of the latter with mercantile establishments in London, as partners or otherwise, and from the extended credit of such English houses, in other countries, enabling the holder of bills on them to circulate the same with consequently superior facility.

It would not be difficult, however, for such importers, who could find no mercantile establishment in Glasgow, Edinburgh, or other towns in Scotland, sufficiently known *abroad*, to fix credits with the Scots Banks, on whom *direct* drafts could be passed for their imports, instead of their present mode of fixing credits with the *London agents* of such Banks, or with

some well-known mercantile firm there. This plan is, indeed, partly beginning to be adopted ; and I have recently seen various acceptances by Scots Bankers, payable at their own offices, for the importations of their customers. But this is only a revival of an old custom, before the “Continental system” threw the management of imports and exports, and the negotiation of foreign transactions, so much into the hands of a few London houses, who, from partnerships with foreigners or other causes, were then best enabled to carry on the system of simulated papers, &c. or the general evasion of hostile decrees. Sir Wm. Forbes and Company, long established and respectable Bankers in Edinburgh, and, I believe, several other Banks there, were even in the practice, formerly, *of granting drafts upon Amsterdam, Philadelphia, &c.*, a practice, which, it is probable, they or others will again resume.

The Dutch merchants, having always studied *economy* in their movements, are now not only in *direct* correspondence with every dealer in, or retailer of, their produce, in Scotland, (whether residing near to or distant from the coast) who is in credit for £20 or upwards, but actually transmit the drafts for imports, to

the *nearest* Banking office to the acceptor's residence, for acceptance and payment ; and, as the Banks are generally desirous of *selling* London paper, they take all this trouble, and advance two-thirds or the whole amount of the drafts before they are due, *free of commission*, by remitting to their Dutch correspondents bills on London, at 20, or at most 30 days' date.

On the whole, it appears probable, that the present difference of 1 or 2 per cent. in the value of Scots and London paper, on the exchanges abroad, might be reduced to  $\frac{1}{8}$ ,  $\frac{1}{4}$ , or, at most,  $\frac{1}{2}$  per cent. ; and, were the Scots Banks at liberty to save, in part, the commissions paid to their present London agents, and to avoid various other disadvantages, by the establishment of unrestricted agencies for their own behoof in London, this result would be still more certain.

At present, the Scots Banks make very small profits, in general, by the transactions which appear in their current accounts with London agents or Bankers, from the high commissions charged by the latter, or the non-allowance of interest on cash-balances. They could not be prevented, however, from coalescing in the

appointment of five or six active respectable men, who, for a moderate salary, or a small commission, might effect their purchases and sales of government stock, exchequer bills, &c.; obtain payment of their bills payable in, and retire their own drafts upon London, and discount Scots paper, &c. for their behoof.\* These agents, would, of course, give their constituents security proportioned to the important trust confided to them; and, being respectively bound for each other, neglect or malversation could hardly occur in the discharge of it, particularly if they were selected from among the confidential clerks or managers of English or Scots Banking Companies, and of proved integrity and ability. The high credit and unquestionable solidity of the Scots Banks who could be *safely* admitted to a participation in the benefits of such a coalition, would place the holders of their drafts on London beyond the possibility of risk therewith, and would secure the general circulation of such paper, whilst, at same time, no

\* Messrs Maberly and Company, who have opened offices in four or five of the principal towns in Scotland, charge the public only the London brokers' commission on the purchase and sale of stock: the Scots Banks have to pay both this and their London Bankers' commission on such operations.

unfavourable impression could be produced by any arts or insinuations some of the private Bankers in London might possibly resort to, in consequence of part of their present business being then conducted by men less distinguished for their individual wealth than previous good character and the respectability of their employers. If the Scots Banks, who entered into this or any similar arrangement, were afraid of improper bias, for or against any of their constituents, being collectively or individually felt by the members of such an agency establishment, they might be solemnly bound to secrecy, conjointly and severally, respecting each Bank's operations in their communications with the others, and the latter could also bind themselves to do nothing directly or indirectly tending to the infringement of this obligation.

The respective Banks could either arrange amongst themselves their proportional parts of the salary to such agents, or be left to settle this or the rate of commission *directly* with the agents, according to the differences in the extent or nature of their transactions.

The mere saving in commissions, &c. would not be the *only* advantage of this plan. The

agents, being strictly *limited* to the business of these Scots Banks, and consequently dependent on them, would feel the strongest interest in securing their approbation and continued patronage, by promptitude, caution, and fidelity, in every operation. As a great extent of transactions in which the customers of their constituents were concerned would necessarily come under the observation of these agents, they would be enabled to afford superior information on such points, and would have, at least, equal opportunities with any of the present agency firms, of acquiring the most early and accurate intelligence in every other respect, and might be more sincere or zealous in giving their employers the benefits of their activity, research, or discrimination, than Banking houses with fewer incitements to do so, greatly absorbed with, or, perhaps, unduly biassed by their own operations, and possibly, in some instances, very defective in management or *ultimate safety*. Some of the Banks might be desirous of making up, in part, the defects of their local positions in remoteness from London, \* by intrusting the agency-house

\* Not long since, a projected Edinburgh Company, with numerous shareholders, whose funds were to be employed, principally,

with a discretionary power to buy or sell government securities, &c. on their account ; and, if prohibited from all direct or indirect connexion with such transactions, whether collectively or separately, the agents could be more depended on, perhaps, either for advice or the uprightness of their dealings, than great Banking firms deeply engaged in funding speculations themselves. Each Banking Company would, of course, have the option of granting such a discretionary power, or of regulating its description and pecuniary extent according to their wishes.

A per centage on the profits realized in the exercise of this discretionary power, for the purchase and sale of stock, would *ensure* every attention to their constituents' interests ; and, at same time, a committee of respectable persons resident in London, either partners of, or in correspondence with, the Scots Banks, in speculations on government securities, &c., was almost on the eve of commencing in this line, and as stock-brokers or agents for others ; but further reflection on local disadvantages, and the influence of the Banks, appear to have prevented the experiment being made. If Branches from the Stock offices of the Bank of England, or of government, were to be established in Dublin, Edinburgh, &c., where transfers could at once be effected of government securities, they would present many advantages to these parts of the empire.

could be appointed to superintend the operations of the agents, under a similar obligation to secrecy ; and various other checks will readily occur to persons acquainted with business.

It is very usual for merchants and others in Scotland to transact with two, three, or four different Banks. This may partly arise from their dislike, in so narrow a field, to expose all their money-operations to one set of Bank directors, who might either make an improper use of their official information—be disinclined to give them all the accommodation they required—or likely to do so at one time, and at another to shake them off capriciously, after leading them into a more confidential intercourse with, and consequently exclusive dependence on themselves for discounts or advances.

To do the Bankers justice, these fears are *now*, at least, very seldom well founded ; and this practice of dealing with so many different Banks, appears to be more owing to the previously-noticed enterprising and speculative turn of the Scots traders, &c. generally outstripping their *means*, or the *credit* they could reasonably expect, if confining their business

to any one Bank of ordinary prudence and discrimination. The general success, however, of the Scots Banks proves that, although occasionally deceived, no very general over-trading can take place from this practice, even amongst the most speculative classes, and, on the whole, it may present advantages as well as disadvantages, when local peculiarities are duly weighed. At same time, it would certainly save the Bankers a great deal of trouble and expense in the counting and cost of notes, if their customers were more generally to follow the London practice of domiciling all their acceptances at a Bank ; a plan which not only gives the latter greater insight into its customers' transactions, and saves the trouble of presentation at the acceptors' residences, but also operates as a check to their entering into such speculative or extensive undertakings as would diminish their Banking credit. As formerly observed, there is some approximation to the economy and dispatch of the London system of money-settlements in the *larger* transactions of Glasgow, Edinburgh, &c. But a much greater amount of bills are presented to the acceptors, who draw the money from the Bank in the morn-

ing, in ignorance of the holders, and repay it to the *same* or some other Bank when the bill appears—adding to the tear and wear of notes, and of clerks' and porters' salaries for collecting bills and effecting the mutual Banking exchanges—to say nothing of the trouble and risk incurred by the acceptors themselves in these continual drawings and repayments of Bank notes, in preference to accepting bills payable at, or the greater use of *cheques* upon, Banking offices.

The Scots Banks, from the prevalent custom of transacting only a *part* of their customers' business, are more upon an *equality* in point of information respecting such individuals than if they transacted solely with one Bank; and the limitation of the mercantile circle, and inferior numbers of those engaged in it, enable the Banks in Scotland, by direct inquiries or through their partners, to maintain tolerably correct ideas of the mercantile progress of their own, or the general credit of the customers of other Banks, without that interchange of information which is so general amongst the Bankers in London.

From this want of mutual communication, however, they are apt to be occasionally un-

informed as to the methods frequently resorted to by some of their customers, of drawing and re-drawing on London—the most concealed, but by far the most expensive way of conducting accommodation transactions in Scotland. The parties pass drafts through a particular Bank on their London connexions, and, before they fall due, pass *similar* drafts on the same drawees, through *another* Bank, whose notes they exchange at a *third* Bank, for bills on London, which are remitted to retire the drafts falling due; maintaining, in this manner, with the *two first Banks*, the appearance of regular *exporters* to London, or to persons abroad who have fixed credits in their favour with the drawees, and to the *third* Bank the appearance of regular *importers* remitting to London houses, either as their direct creditors for imports, or as agents for the shippers in foreign places. This practice would, of course, be more visible at the proposed agency establishment in London, for 10 or 20, perhaps, of the Scots Banks, than at present where they employ possibly 10 or 20 different agents, as the accommodation drafts, the remittances to retire them, and the prolonged renewals of these drafts, might all ap-

pear *at the same moment* on the desk of any agency-house, so generally employed by the Scots Banking Companies. The latter, therefore, in asking their agent's opinion of the drawees in London, could be informed that an accommodation connexion was apparent, without such *particulars* being given as might form any exposure to one Bank of the other's operations.

This proposed agency-house, if considered desirable or prudent, might be prohibited from coming under acceptance to any Bank, without holding ample funds, and full authority, if the same consisted of government-securities or bills, to dispose of them when such acceptances were due, if the cash-balance at the credit of the drawers was insufficient to retire the latter, so as always to keep the agents free of advance; or they might be authorised to accept to *a certain extent* for each Bank, when necessary, in the understanding that it would remit, against the term of payment, bills at sight or securities instantly convertible into cash. They might, perhaps, be permitted to make *cash-advances* within specific limits, for each Bank, on securities lodged by it, provided the *total* cash-balances in their

hands enabled them to employ, in this manner, the surplus funds of some of the Scots Banks in advances to the others ;—such a proportion of the cash-balance at the credit of each Bank bearing interest at *5 per cent.* as the *whole* of its cash-balance might bear to the *aggregate* sum employed by the agents at that rate, and, in like manner, with the other rates yielded by their advances or investments : thus, if 10 Banks had a *total* of 2 millions at their credit in *cash-account* with the agents, one million of which was employed at 5 per cent, and another at 4 per cent, any one of them, with £100,000 of cash-balance at its credit, would receive 5 per cent on £50,000, and 4 per cent. on the other half of this balance. When the total of creditor cash-balances could not enable the agents to grant cash-*advances* to the *total* extent previously fixed upon, they would, of course, divide the same in proportion to the previously specified allotment for each Bank ; in other words, if the *aggregate* balances in their hands were only one million, and three millions of cash advances applied for, they would only give such a sum to each applicant as, with what was previously owing, might form *one-third* of

*its* specified credit. In this case, the agents might convert such a proportion of the bills lodged by a particular Bank, *into cash*, as might make up for the inadequacy of the joint cash-balances in their hands to afford it the full amount of its previously defined advances ; and if this Bank could safely employ money at 5 *per cent.*, while its agents were, perhaps, only paying 3 or 4 per cent, in thus obtaining cash for its indorsations of London paper, a new and additional source of profit would be thereby presented by the agency-establishment. Some of these results might no doubt be equally obtainable by the Banks in question running *mutual current accounts*, wherein, as might be convenient for all parties, one Bank might be alternately debtor and creditor to the others, instead of allowing London Bankers of inferior stability, perhaps, to themselves, to reap the profits of intermediation betwixt them, by granting to some only 2 or 3 per cent. on the very sums they re-lend to others of their number, at 5 per cent. interest, with a charge of commission on the accounts of *both* classes, and with an expense of stamps, postages, &c. on the drafts on London agents they are all constantly giving and receiving for

their mutual balances of daily or weekly exchanges in Scotland. Considerable advantages in *this* respect, in addition to various others attending the appointment of an agency-house in London exclusively for themselves, might still be derivable by the Scots Banks, whose *rival jealousy* might prevent so *direct* an intercourse with each other as that just alluded to ; and such arrangements would, of course, be equally advantageous to provincial Banks in England, similarly situated or disposed. The Scots Banks, who had formerly a considerable circulation of notes made payable in *London*, and who were forced, from the high par, and heavy charges of agency commission, to abandon this useful description of currency,\* would feel encouraged to resume it, with agencies in London of the de-

\* It was particularly calculated to extend their circulation in the northern counties of England, or in Ireland, and very convenient for persons travelling from Scotland to London, who are now previously obliged to procure Bank of England notes or specie, under a considerable risk of forgeries. These notes, payable in London, being paid away by shipmasters, &c., on their arrival there, to labourers, &c. on the wharfs, occasionally continued to circulate in London for some weeks ; and if the holders did not present them to the agents of the issuers for payment, they always found the persons connected with the Scots Shipping Companies preferring to carry them to Scotland instead of Bank of England notes or gold.

scription here submitted to their consideration, particularly, as the par is now reduced from 40 to 20 days. The cause of this reduction is explained in Note E; and when an English house has actually opened so many offices in Scotland, almost solely dependant, apparently, on the business of drawing on London, at a few days less than the regular Banks, the voluntary or forced economy of traders, &c., which is thereby implied, should certainly excuse any suggestion here brought forward with the object of promoting much more important savings by individuals, and the ultimately national benefits which must flow from them; especially when connected with the concomitant advantages of superior facilities and safety in pecuniary transactions.

These remarks having extended to a greater length than was anticipated, leave only room for a few miscellaneous and concluding observations.

The difficulty experienced within these 4 or 5 years, of employing their funds in discounting bills, not exceeding 3, or at most 4 months currency, has induced many of the Scots Banks to discount bills having 5, 6, 8, and in some instances 12 months to run. A clamour

has been raised against this extension of the discountable date, as tending to encourage dangerous speculations, by the remoteness of the term of payment tempting many to embark in enterprises disproportioned to their capitals or capability of conducting with proper effect.

This evil, however, if real, will soon cure itself, both from the mercantile and Banking losses attending it; and, on the whole, any *fixed rule* for discountable dates appears to be productive of more injurious consequences than the want of it.

It may have been found convenient, indeed, for some Banks to have their funds more at command in *short-dated* bills; and others may have discouraged the longer dated paper, from an idea that the oftener they turned over their capital or funds in discounting, the circulation of their own notes was correspondingly promoted. Various descriptions of merchants, manufacturers, &c. give or receive 6, 9, and 12 months' credit; and, if a Bank obtains the *whole* circulation which the disbursements of such customers can promote, the Bank loses in compound interest, and the customers in stamps, trouble, and time, if, instead

of discounting *one* bill at 12 months, *four* at 3 months are discounted,—three of them merely renewals. If such *renewals* are not allowed, considerable capitalists can alone enter into the particular branches of trade alluded to; and, if they cannot get bills at 9 months discounted, until the expiry of two-thirds of that currency, they will charge the acceptors *more* than 6 months' interest, at 5 per cent, as the difference of price betwixt 3 and 9 months' credit on goods, thereby raising the price also to the consumer. In other words, a merchant or manufacturer will generally allow *even the most undoubtedly safe buyers*, from  $7\frac{1}{2}$  to 10 per cent. discount, if, instead of granting a bill at 12 months' date, they pay in cash, merely because they cannot get such long-dated paper so easily discounted, and value the use of their funds at more than 5 per cent. interest. But, if bills at 9 and 12 months' date were as readily discounted as those at 3 or 4 months, the difference of price, to *perfectly safe purchasers*, betwixt goods sold for 3 and for 12 months' credit, would be little more than 9 months' interest; that is, the additional interest charged by the Banks in discounting the latter. It will be, perhaps, admitted by impar-

tial inquirers, that comparatively few bad debts are made in sales at 9 or 12 months' credit; and, although it may be alleged that this is because the sellers must have considerable capitals to preserve, who can thus retain bills for 6 or 9 months, until their currency is reduced to the discountable date of 3 months, and that the extension of the discounting date, by Banks, would throw such branches of trade partly into the hands of inferior capitalists, less fastidious in their credit---still, it should be remembered that the *Banks* would be far more guarded in discounting such long-dated paper than bills having only a third or fourth of their currency, and would seldom venture to discount the former on the credit of parties who were not really able to meet all the possible intervening fluctuations in the prices of the goods they represented, which might arise from peculiarities of seasons, revolutions in public opinion or taste, political events, scientific discoveries or improvements, changes in the regulations for international barter, or other probable causes. On the other hand it might be argued, that this very limitation of the discountable date to 3 or 4 months, is apt to lead both the drawers and discounters of such

bills to under-rate the *risk* attending them, and to encourage a pernicious set of speculators in trade, who either tempt the cupidity of sellers, by offering high prices for *short* credits, or remain on the watch for the necessitous moments of a better class of dealers, occasionally obliged, from the *shortness of credit* they have obtained themselves from importers or foreign merchants, to resell their goods to any of these speculators whose bill, at a short date, is likely to pass at the Banks, instead of selling at such a long date as the regular traders in, or *retailers* of these goods will alone accept at when the market is over-stocked or dull, and no immediate prospect of their effecting *resales* to consumers, &c. This intermediate class of speculators or traders, who are thus applied to by other classes desirous of raising money on their short-dated acceptances, may contribute, by their own *resales*, to the increase of an inferior class of retail dealers unable to obtain credit from the more respectable *whole-sale* merchants, &c., from whom the better kind of *retailers* exclusively purchase. (See Note F.) Without, however, wishing to enter on so lengthened a discussion as this important subject would demand, or pretending to

decide how far these arguments are well-founded, any fixed rule for the date beyond which Bankers should not discount, appears to be at least of very doubtful propriety ; and their deviations from it may be safely left to be regulated by the constantly operating principle of self-interest amongst all concerned.

In the unlimited Banking partnerships which may be established in England, a division of the directorial duties will be found highly useful. One or two directors might more particularly superintend and check the books, accounts, vouchers, cash-balances, &c. ; others, the correspondence, and matters immediately connected therewith ; a third party, the local discounts, credit-accounts, &c. ; a fourth, the business of the branches, &c. &c. Each director might go through these various divisions or departments of the business in rotation, so as always to preserve, in each division, some person thoroughly acquainted with the whole affairs of the concern. After the committee for local discounts or advances had decided on applications, they could also obtain the sanction of the whole directors, either at their meeting the same or next day, before communicating the result to the applicants. And, in like manner,

the other sub-committees could consult this daily general meeting of directors on the business of their respective departments. In this way, the decision of the directors for local discounts, for instance, would be modified by any information materially affecting the parties to the bills which the other directors had acquired officially or otherwise; and, as it would only be on such occasions that the latter would interfere, each division would get more smoothly through with its duties, and with less discussion and confusion at the subsequent general meetings than have been often exhibited among the directors of extensive Banking Companies, in the absence of sub-committees. Amidst an overwhelming and heterogeneous mass of business, the want of some such previous classifications has frequently led to serious omissions or hasty decisions, and to the consequent loss of money, by taking bad, or of customers, by rejecting good bills.

It may be proper to notice, although the Royal Bank of Scotland commenced its operations by a run on the Bank of Scotland, which led to the use of optional notes, payable at sight, or 6 months after sight, with interest, and notwithstanding the more recent opposition of

the old Banks to the establishment of new rival companies, that *runs upon each other* have been, subsequently, unpractised or unattempted amongst any of these Banks ; and, if corporate or enlarged concerns of this nature should be foolishly led into any temporary displays of such impolitic rivalry, the public may be assured a juster sense of interest will soon produce a lasting pacification.

The exemption of the larger Scots Banks from *runs by the public* may have been partly owing to their issues of large sums of notes at their branch offices, where the distance of the holders from the head office, at which they were alone made payable, deterred them from taking the trouble of presentation for payment ; and, as false rumours propagated in the country were so soon contradicted and allayed, it became gradually more difficult for designing or timorous characters to spread any general alarm or distrust.

In pointing out, however, the advantage of branches in this respect to Banks of undoubted solidity or capital, the disadvantages to which the holders of *doubtful or bad* currency are exposed, who are *distant* from the place of payment, should not be overlooked ; as the small-

ness of the dividends, by those Banks who have been ultimately bankrupts, after stopping payment, has been sometimes owing, in a great measure, to their having previously exhausted or pledged their funds to meet the demands of creditors in their own vicinity. For example, if a Bank was owing £100,000, with only £50,000 to pay it, and gave away £40,000, in endeavours to stem a run by *local* creditors, it would only leave £10,000 to be divided among the more *distant* creditors, with claims for £60,000, who would thus only obtain 3s. 4d. per pound, instead of the dividend of 10s. they would have received, if the Bank had stopt without this previous reduction of its debts.

Branches, indeed, on the present system of limitations on English provincial Banks, are not only hazardous in this respect, but have been too often established with sinister intentions, and to keep up a fictitious credit at head quarters, by a distant circulation of notes, and of branch drafts upon the issuers or their own house in London ; and, as the agents could sometimes attempt such operations with a better grace or chance of success than the principals themselves, they have been fre-

quently seen at fairs, markets, &c. with numerous signed or unsigned drafts on London, to be filled up to the order of those ignorant or rash persons who were induced to invest their cash on this security, from the persuasive orations of the distributors on its utility and convenience. Since the preceding sheets were printed, I have obtained a perusal of Mr Maryatt's pamphlet, published in 1811, recommending the formation of another public Bank in London upon a great scale.\* In

\* Mr Maryatt seems to have been prompted to recommend this measure, from the activity of some Bank directors in patronising the project for a third Marine Insurance Company in London. He has not, however, said one word in defence of the two insurance monopolies. They are, if possible, still less defensible than that he was attacking. Scotland enjoys the only regular exception, in Britain, to the control of their charters, in the Sea Insurance Company established in Edinburgh some years ago, in the face of many doubts as to its legality. The Whitby Association of Shipowners and others, who have followed its example in England, are only *evasions* of these charters, and present a very imperfect remedy indeed for the injurious effects of the London monopolies, particularly, as they seldom insure *goods*. Many enterprising and industrious shipowners, who have sailed their own vessels for years without a farthing of claim on the underwriters they had been all along paying heavy premiums to, have found themselves, when at last overtaken by misfortunes at sea or shipwreck, thrown helpless upon the world, or reduced to abject poverty, from the inability of the underwriters to fulfil their engagements. Is this the reward a great maritime state should hold out to the survivors

page 10 he says, " the directors are bound by the constitution of its charter to lay a statement of the profits of the Bank of England before the proprietors, at general courts ; but this regulation has been constantly evaded." The speeches of Mr Gundry and others at the meeting of Bank of England proprietors, held within these few days, are highly deserving of the most serious attention ; and prove that, with many other defects, the directors pertinaciously adhere to the inexcusable system of concealment so justly censured 10 years ago by Mr Maryatt. A significant hint from a Bank of England director could make the fortune of any of his favourites engaged in the purchase and sale of its stock ; and if no such hints have ever been given respecting the *arcana* of its affairs, or the government secrets the directors were intrusted with, during the incessant fluctuations in Bank of England stock and

of storms and shipwrecks ? The reply that they ought to have insured with the monopolists is insufficient, both because a thousand circumstances may have prevented them or their brokers from so doing, and also because these monopolies are equally impolitic and unjust in a commercial country, where every class of persons ought to enjoy the fullest liberty of employing their capitals and credit, either individually or conjointly, in whatever channels they may prefer.

in the funds, they are, and have been, certainly, a more exemplary class of men, than Mr M. imagines, even supposing them too disinterested to speculate *for themselves* on official information. In pages 13, 14, and 15, Mr Maryatt explains various profits the Bank derives from its connexion with government. In page 18, he notices a gross breach of contract by the directors, so far back, however, as 1720 ; but, in page 19, their more recent concealment and appropriation of the unclaimed dividends on government securities are sufficient proofs that the directors he alludes to could do worse than break a contract, if it suited their own interests. In page 33, he observes that the Bank allows no interest on deposits, and, in page 77, that their *undivided profits* were then estimated *at 5 millions.*

Mr Maryatt, in page 80, shows the political dangers of this and similar Banking monopolies, and also the chances of injustice to rival traders, who can apply to no other proper rival Company, if the Bank of England directors, individually in the same branches of trade, choose to gratify their private pique or jealousy in their official capacities.

As before intimated, I shall take an early

opportunity of tracing the injurious consequences of the fluctuating mode of conducting business by the Bank of England, and frequent disregard of first principles in the course of their operations. Within these few days I have learnt the intention of the Bank of England directors to withdraw its 1 and £2 notes from circulation. Their average amount in 1815 and 1816 exceeded 9 millions. The ordinary profits of trade may be about double the market-rate of interest in general; and if we estimate the annual loss at 10 per cent. which may possibly be sustained by locking up 9 millions of the national capital in the coins which may circulate, instead of the notes so withdrawn, we shall still have to add to this large annual loss of £9,000,000, the immense *national* expense of preserving so much metallic currency of full value or weight—to say nothing of the vast sums which will be immorally gained and spent by the forgers and venders of base gold and silver coins under this uncalled for restoration of an anti-social and impoverishing system of currency. Let every man peruse the seventh chapter of Dr Colquhoun's Treatise on the Police of the Metropolis, before he ventures to congratulate

the country on this probable increase of coinage, from a step which appears to be as un-sanctioned by parliament as many others the Bank of England have ventured to adopt. It is not enough that the Bank proprietors have resolved, like pettish or sulky children, to sacrifice the profit of supplying the nation with their notes under £5, because an outcry, apparently too well founded, has at last been heard against the defective execution of these notes or the inadequate vigilance and precautions of the directors in the suppression of forgeries.

The legislature, certainly, never contemplated the total withdrawal of the Bank's notes under 5 pounds, when they recommended ingots, in the first instance, or coins more recently, as the standard of our currency; and the public, at least, appear to have understood that, in giving the holders of such notes the power of exchanging them for sovereigns at the Bank, the holders of sovereigns, or of other British coins, were also to be entitled to demand small notes *there*, in exchange for them. Persons wishing to make remittances, either by sea or land conveyances, might prefer send-

ing Bank of England small notes to specie; because, by taking the numbers of the former, or by sending one parcel containing the halves of each of these notes, and another parcel with the other parts thereof, they could avoid the expense and risk of transmitting coins. As the Bank has never re-issued its notes, in consequence of paying only a trifling compromise for the stamp duty, this bisection of their notes, and subsequent re-union of the separately transmitted portions gave them no concern, whilst it afforded various advantages to the public, for whose convenience and accommodation their charter and immunities must ostensibly have been obtained. It is said they are calling in their small notes under an intimation that the makers and venders of forgeries on their notes, *under 5 pounds*, will not be prosecuted after this date,—another proof of their disregard for the morals or interest of the public. This abandonment of 1 and £2 notes, after so many years' experience of their utility, cannot be excused merely because the directors could not render them *imitable*; and they were at least bound to show that their arrangements for the preven-

tion, detection, and prosecution of forgeries were nearly *perfect*,\* and that the best executed notes they could possibly obtain were still so extensively forged upon as to render their circulation unadvisable, before taking so important a step. The measure, however, is only *another* reason for discontinuing their charter; to preserve which, the *curtailment* of their currency, to the extent of coins or provincial paper circulated instead of their *small* notes, should render them less solicitous than formerly, or, at least, less tenacious in any negotiation for the *indemnity* they may be allowed in consideration of individual purchases of stock, on the faith that the charter could not, or would not be discontinued, at the very soonest, before 1833.

A periodical print, whose essays on many subjects are of the highest excellence, in announcing this resolution, by the Bank directors, to withdraw their notes under £5, laments so unnecessary a restoration of coins,† al-

\* The strongest evidence can be brought forward to prove the glaring defects of their arrangements for the prevention of forgery; particularly, in regard to the forgeries circulated in the provincial towns.

† It would have preferred that the Bank of England notes of 1 and £2, had they been better executed, should have supplied the

though decidedly in favour of the ingot-standard of currency ; but, at same time, strongly urges, since coins are thus resorted to, *that all provincial issues under £5 should be prohibited*, assigning, as the reason for this extraordinary suggestion, that runs on the provincial Banks would be much more serious, if obliged to give *gold* for their *small* notes, from the want of Bank of England notes under £5, and that runs, *formerly*, were greatly *moderated* by the holders of provincial paper discovering that, in exchanging it for Bank of England notes, they were only getting one piece of paper for another.\*

place of prohibited provincial issues under £5 ; and that Bank of England notes alone had been convertible into gold, in ingots or bars.

\* One would imagine the *runs* should rather have been increased (unless from the fear of *forges*) by the holders of provincial notes getting Bank of England paper, instead of specie, for them, as the *larger* Bank of England notes bear a premium, in most provincial towns, in exchange for notes payable therein, like other bills on London at sight ; whereas specie bears no premium whatever, owing to its inferior advantages and greater expense when remittances are to be effected. This author, however, asserts that the provincial notes become of *less* value when made payable in *London*, and zealously calls on government to prohibit the growing practice of domiciling them there, as a "*gross abuse*, which may soon give us a currency composed of notes bearing *two or three hundred* different values." Now, the fact is, large

This discovery, however, does not appear to have prevented the immense number of provincial Bank failures, the enumeration of which accompanies this very suggestion to prohibit provincial notes under £5. The essayist appears to have also forgot, that such runs were not so generally confined to the holders merely of 1 and £2 notes, and that *each* note under £5 was not presented by a *different* person. An individual, even in a humble station, might often have five provincial £1 notes, and would consequently accept a £5 Bank of England note from the issuers, in exchange, as readily as five Bank of England notes of £1. Even if the Bank persists in not issuing 1 and

provincial notes, payable in or exchangeable in London, are not only *more* valuable than if payable in the country towns, but, like Bank of England notes, would bear a premium of 10, 15, or 20 days in exchange for the notes payable in such towns, according to their respective pars with London. Even the *smaller* Bank of England notes occasionally bear such a premium; and, consequently, in such cases, the small notes of provincial Banks domiciled in London, would do so likewise, if thought equally secure —the possible inconveniences to which the holders of small provincial notes so domiciled might be exposed (alluded to p. 92,) arising from the other provincial Banks making excuses for not taking or exchanging them, “because they are not *also* payable in the country;” and such pretexts would be very rare with respectable unrestricted Banks.

£2 notes, the *reserves* of the country Banks will probably be composed of Bank of England notes, for £5 and upwards, or of *silver*, with which latter article they are generally overstocked—the large Bank of England notes being preferable in transmissibility, &c. to gold, and the silver better calculated, perhaps, than gold for those holders of provincial 1 and £2 notes, who, during runs, cannot present £5 thereof, either of their own or by clubbing with their neighbours, to be exchanged for Bank of England £5 notes.\*

\* To encourage the country Bankers to keep their reserves in Bank of England notes in place of gold, the Bank might, perhaps, be induced to allow these Bankers an allowance of *interest* on a part of their reserves, by issuing what might be termed reserve notes, bearing interest from their *date*, until issued by the Bankers in exchange for their own notes—the date of such issue to be marked on the reserve notes, that the interest might be thereafter disallowed, if subsequently circulated by the public. Some plan of this kind might diminish the national loss by the use of coins, and might encourage the maintenance of the largest desirable reserves by provincial Banks, whose credit has been frequently shaken, of late years, from their defective provision against sudden demands. Were it not for existing prejudices, exchequer bills might be issued in sufficiently small sums to answer the same purposes. To curtail the use of *gold*—the liability to pay which, for their notes under £5, instead of Bank of England notes, is said to augment the runs on provincial Banks—those issuers, who were considered *safe* by government or parliamentary commissioners, might, perhaps, be licensed to insert clauses in their 1 and £2 notes, that

The recommendation alluded to is unaccompanied with the slightest notice of the restriction on the numbers of partners in English provincial Banks, or with any exception in favour of the Scots Banking Companies, which is, perhaps, still more *extraordinary* than the recommendation itself, particularly as the writer must be thoroughly acquainted with the constitution and undoubted credit of the Scots Banks. But such suggestions, from such a quarter, are only additional proofs how imperfectly the subject of currency is yet studied, and how thoughtlessly the most ruinous fluctuations have been, and are still likely to be, introduced in this important and universally interesting portion of the commercial machinery of civilized societies. *The prohibition of provincial issues under £5 will be only necessary after every possible experiment to render that currency as secure in England as in Scotland has proved abortive.* To prohibit it just now would be nearly as *rational* as to recommend the ampu-

gold could not be legally insisted upon in exchange for them, during the non-existence of 1 and £2 Bank of England notes; and that for all claims of £5 or upwards, the provincial Banks should have the *option* of paying either gold or Bank of England notes.

tation of the arm when a thorn appears in and is easily extractable from the finger. Such short-sighted projectors would be better employed in devising plans for confining the circulation of metals, by every practicable division in the values of notes both above and under *L.1*, or in effecting such improvements in the intermediate scale of values betwixt *L.1* and *L.1000* as might economize the paper, stamps, &c. of notes, and the expenses of their transmission by post or otherwise.\* When writing this, I am informed the Bank of England intends withdrawing its *L.5* notes also from circulation. Their average amount betwixt 1815 and 1819

\* The article alluded to must certainly have proceeded from some less experienced pen than that of the reputed author of many able articles on political economy in the same publication (*The Scotsman*), and also in the *Edinburgh Review*; but, if Adam Smith himself had recommended such a project—and he also had very incorrect notions of the causes of, and the remedies for, the defects in provincial currency—every man who is not led by *mere name* would decide upon it according to his own sense of its intrinsic merits. Whoever the author of it is, he should rejoice to see his project examined, if *personal considerations* do not render him forgetful that the public good, which is of infinitely greater moment, is ultimately promoted by this collision of opinions. Examination is most usefully and fairly exercised on any plans or ideas emanating, or supposed to emanate, from writers, whose previous celebrity and influence may have predisposed the public to adopt their views rather *too passively*, even when correct, and very injuriously for its own interests when they are erroneous.

exceeded 3 millions ; and the previous remarks on the apparent irregularity and impropriety of withdrawing their 1 and *L.2* notes will be still more applicable to *this* measure, if actually determined upon. It is fortunate, however, that those who have proposed the suppression of *provincial* notes *under L.5* must overturn most of their own arguments for the prohibition, before they can venture to extend it *now* to *L.5* notes also ; or will they contend that *runs* for specie are now more likely to be made by the holders of *large* provincial notes, because, instead of getting *L.5* Bank of England notes in exchange for them, they can only get notes of *L.10* or upwards ?

The Bank of England directors appear resolved to surfeit the nation with metallic currency, in revenge for all the taunts they and their issues have met with since 1797, and to be taking unusual trouble in informing the public of their readiness to pay gold for the largest as well as smallest of their notes. Their sudden disinterestedness may not even stop here—the reduction of their charge of interest from 5 to 4 per cent. being also confidently anticipated.

The Bank appears to have uniformly charged

5 per cent. interest, hitherto, on bills discounted, or other advances, without regard to the fluctuations in the market rate of interest. When the funds were formerly so high, and all other openings for pecuniary investments in this country were yielding a correspondingly small interest, and discounts obtainable for  $2\frac{1}{2}$ , 3, or  $3\frac{1}{2}$  per cent. in the principal money markets of Europe, I am not aware that the Bank reduced its rate of interest on discounts in unison with these indications of the general market rate. On such occasions the mercantile classes appear to have been either quite independent of the Bank, or *overcharged* by it, for discounts ; and, on the other hand, if the market rate of interest has *really* ever exceeded 5 per cent., the Bank had still the same power, with other Banks or individuals, of *diverting* its funds from those modes of investment in *discounts*, &c., where more than 5 per cent. could not be *legally* charged, into those channels which might yield them, more or less circuitously, a higher return of interest than 5 per cent. Whether the mercantile interests have actually suffered from these consequences of a fixed rate of interest on discounts at the Bank and a fixed *legal* maximum rate, might

be an important inquiry for those who are discussing the effects of our usury laws, and might be partly determined, if the returns of annual discounts, &c. were obtainable from each Bank, as previously recommended. It is probable the Bank may follow up the expected reduction in their *charge* of interest by also offering some *allowance* of interest on money deposited with them. Whether they begin to be apprehensive for the preservation of their monopoly, and now wish to palliate or remedy some of its deficiencies, is of little importance in estimating the *principles* on which it is founded—their unavoidably baneful effects under any management whatever—or the probabilities of an enlightened society tolerating this or similar establishments much longer. It may deserve notice, however, that many of the London private Bankers, of great influence in the management of the Bank of England, appear to have derived a direct interest from its defects, and might feel their own deposits, discounts, and general business greatly diminished were they corrected as far as the nature of so unwieldy a concern would permit.

The *exclusive* right of the Bank to *borrow* money at a *higher rate* than the *legal* interest

of the country, presents a curious contrast to their non-allowance of interest on sums lodged with it, and forms another instance of the immense powers the directors possess, although occasionally or permanently unexercised from necessity or prudential motives. They do not seem to have obtained any similar right to *lend* money at a higher rate than 5 per cent., an omission which may have partly neutralized their privilege of borrowing at a higher rate; but they could still have easily engrossed a greater portion of the floating money of the country, by allowing 6 or 7 per cent. for it, when re-investments were practicable on redeemable annuities, &c., at a net return of 8, 10, or 12 per cent., after paying the premium of insurance on the borrower's life, as many would have preferred a smaller interest from the Bank, from their own inability or reluctance to go through the requisite formalities of annuity-investments, and the uncertainty of immediate resale or repayment when contingencies might render it necessary. Or the Bank, in the absence of periodical publications of its affairs, could have, perhaps, secretly reinvested the sums so borrowed, in advances to our own or other governments, thereby encouraging a po-

litical bias in its operations, very detrimental, in all probability, to the ultimate interests of the parties and of society.

It may have been thought, however, more prudent or *profitable* to abstain from borrowing money upon interest, either above or below the legal rate; and in this, or *other* respects, any apparent prudence or moderation of the directors, considering the plenitude of their power, may have been greatly owing to a similar cause to that which leaves individuals, under the most despotic governments, in the enjoyment of so much actual liberty, viz. the very absurd and unnatural extent of sovereign authority rendering the full exercise of it extremely hazardous, or altogether impracticable. Should the charter be discontinued, from 8 to 12 Banks, with capitals of 2 millions or 3 millions each, could soon be established in London;\* and, whilst their united expendi-

\* If these Banks were liable to Parliamentary control or inspection, and constituted in the manner previously recommended, 800 or 1000 respectable partners might be jointly and severally liable for each; and, as these partners might be worth ten or twenty times the capital of the Bank, its security would be equal, *at least*, to that of the Bank of England, which, of course, might either be continued or not, amidst this rivalry, as the partners thought best.

ture or charges on trade might be considerably less than those of the Bank of England and present private Bankers in London, they would, individually, combine all the advantages, without the defects, of the existing monopoly and restricted companies ; presenting, at same time, greater facilities and allowances to the public, and reduced charges on the business they transacted.

The supposed London Banks could settle *their* mutual balances of exchange *in specie* ; and, if the present liability of the Bank of England to be called upon for specie, in exchange for its notes *in the hands of the public*, was to be continued with them, they would be as able as the Bank of England to keep the proper metallic reserves.

The *provincial* Banks constituted in the manner proposed, being, of course, unquestionably safe, could have the *option* of discharging all claims on themselves, by the notes of these London Banks, by drafts on them at sight or at par, by their own large notes, payable in London, or by gold or silver.

It may, however, on due reflexion, be considered impolitic to expose provincial Banks of unquestionable capital, backed by the joint

responsibility of numerous and wealthy proprietors, to be called on for specie, or the notes of London Banking Companies. Reserves of specie are an individual and national loss, and reserves of London bankers' notes would only enlarge their profits, at the expense of provincial Banks as undoubtedly secure as themselves ; and tend both to cramp and to produce injurious fluctuations in provincial operations. Small sums of silver and copper should only be legally demandable from safe provincial Banks. If the holders of their notes wish to export specie, they can buy it with them from bullion dealers. If they wish to take or send money to places in Britain, these notes should be current in all such places, if exchangeable in London, as previously explained in p. 92. Should they be desirous of avoiding the expense and risk of transmitting notes, they can procure Bank post bills, drafts on London, or, in some instances, perhaps, direct drafts on the places they wish to remit to. If a person was to bring a bill for a *L.1000* on London, at sight, to a country Bank, for which he obtained *L.1005* of its notes, in consequence of an allowance for the par or premium on London paper, it is not

fair that he should be entitled to pass their notes again over the counter, and to insist on *their* draft at London at sight, for *L.1005*, without paying any par or premium thereon: and, as before remarked, the obligation on unquestionably safe Banks, to keep *reserves* of London Bank notes or specie, merely as a preventive to such unreasonable demands, is attended with the various disadvantages alluded to, and, in other respects, can only give undue advantages to the capricious or avaricious part of the public. If the person supposed got back his own bill, *indorsed* by the provincial Bankers who had previously cashed it, they would be fairly entitled to demand more for it than the *L.1005* of their notes they had given for it. He comes with a bill on London to a country Bank, because he wants country Bank notes in exchange. The Bankers are at great expense, from heavy stamp duties, &c. in maintaining a proper supply of these notes, and also in the other general charges of trade; they accommodate him with the notes, take the risk of his bill being safe, and provide funds in case it should be returned upon them unpaid, for all which they make a difference of only 10 or 20 days' interest,

perhaps, betwixt the premium they allow and charge him, supposing the bill to be thus cashed by them, and afterwards returned to him with their indorsation ; and, of course, these remarks are equally applicable if they give him their indorsation of another bill of the same amount, and at the same date with his own. If he is reluctant to pay this difference of .10 or 20 days' interest, his *L.1005* of provincial notes will still enable him to purchase as good a bill (of the same date) as that he had parted with, from merchants or others, ready to *sell* bills on London, at the same premium they receive from their Bankers ; that is, the same as *he* had received, viz. *L.5* on a bill for *L.1000*. If Bankers are justly entitled to this difference betwixt the premium allowed and charged on bills they purchase, and subsequently indorse away, they are still more justified in demanding it when, instead of *paying away* such *indorsements*, they incur the trouble, risk, and expense of transmitting them to London for *collection*, (subject to postages, agency-commission, &c. and exposed to the chance of their coming back dishonoured, or, even when duly retired, of agents failing with the cash in their hands) ; granting, *at same time*, their own

*drafts* on London to those who want London paper, at the expense of stamps for these drafts, advices thereof to the drawees, and their agency-commission, &c. In the case supposed of a person first obtaining *L.1005* of provincial notes for a bill on London of *L.1000*, and afterwards demanding London Bank notes or specie from the issuers, or their draft at sight on London for *L.1005*, it is obvious little stress could be laid on the intervening circulation of the notes compensating the loss the issuers sustain by their exposure to such demands. The person in question may not, for example, have been quite so insensible to shame as to receive the notes, and *instantly* demand repayment of them, nor yet to employ any subterfuges to effect the same end. He may have had *bona fide* occasion to cash the bill, to pay for several small purchases, and may have received back the same notes, or an equal amount of the same Bank's notes in the course of his sales, within one or two days thereafter, but he would not be the more entitled, after this interval, to gain *L.5*, or to obtain any of the presupposed undue advantages at the expense of the issuers ; and, even supposing the Bank had actually derived some additional circula-

tion of its notes, by cashing his bill on London, the original accommodation to him must be considered independently of such a contingency.

The provincial Bankers are under as little obligation in equity to give specie, London notes, or drafts on London at sight, *without receiving the par*, to claimants who had only *lodged* their own or other provincial notes with them. If a credit of *L.1000* on London is supposed to be regularly worth *L.1005* in Newcastle, it is both unjust and absurd to put it in the power of every man who has a credit of *L.1000* merely in Newcastle, to convert it into a credit in London for *L.1000*, at the expense of the Newcastle Banks. As previously observed, p. 59, the *Scots* Banks were seldom called on formerly, by the *public*, for specie, or Bank of England notes, in exchange for their own; and I may now add, that many were probably afraid of exercising their legal right in this respect, particularly as they could have little pecuniary temptation to render themselves individually obnoxious to the Banks whilst each continued to remit specie or Bank of England paper, without the co-operation of the

others. A systematic plan of operations, however, has been lately commenced, which may ultimately prove embarrassing and expensive to the country Banks, injurious to the public interest, and hurtful to the probity and honourable dealing of the mercantile classes, by the temptations it holds out to dissimulation, treachery, and ingratitude. I allude to the practice of Maberly and Co. in drawing bills on London, at their various offices in Scotland, at a shorter date than the Scots Banks, and their accompanying runs or demands upon them for specie or Bank of England notes, as more minutely explained in note E. It is the duty of individuals and of society to educe any possible good from every apparent evil; and it will be fortunate should the hitherto insignificant operations of Maberly and Co. of the description alluded to, rouse the provincial Banks to exert their influence with the legislature to procure such protections, as I have specified, against unnecessary and improper demands for specie or Bank of England notes. The present observations having extended to a much greater length than was originally intended, do not admit of my attempting to trace the many hurtful effects of the practice alluded to in the detailed

form in which I trust some abler person will soon lay them before the public.

In the meantime, that part of the public who imagine the Banks are to be the permanent sufferers from it, ought to be distinctly and generally informed that the Banks must have the *ordinary profits of trade on their capitals*, and that all the *extra* expenses, trouble, and risk of bringing Bank of England notes or specie from London, and maintaining large unproductive reserves thereof to meet Maberly and Co.'s demands, must *ultimately* be charged to the public itself. That the Banks do or did derive no more than these ordinary profits by the purchase and sale of London paper, is evident by their *still* maintaining the *former* difference of 20 days' interest betwixt their allowance on and charge for London paper,—the alteration they were forced to adopt by Maberly and Co.'s practice, in the date or par of the drafts on London, having been accompanied by the discontinuance of the former premium on the London paper they purchase. That this difference, indeed, was rather *too small*, after the repeated and recent augmentations of the stamp duties, is proved by their *now* charging the stamps of drafts in addition to it, in the face of Maberly

and Co.'s constant advertisements of a low rate for *their* London drafts; and, if asked why they now charge the *whole* amount of the stamp duty, when it has been only raised 10 or 15 per cent. they may fairly reply that this *extra* charge is made to cover the expense of providing *reserves* against Maberly and Co.'s demands for specie or Bank of England notes. That free competition will always afford the public every facility and moderation of charges in their Banking operations, will, if possible, be still more apparent whenever Maberly and Co. choose to enter into a respectable and fairer description of London paper business, by at least *purchasing* mercantile bills *on London*, if they do not become *regular* Bankers by also advancing on credit accounts and discounting bills payable in Scotland. Maberly and Co.'s example may possibly be more generally followed than it has yet been; and the Banks ought to guard against this risk by immediate and vigorous efforts to obtain a proper legal protection against it, or by adopting such expedients as should render legal enactments less necessary. The Banks now find occasional demands for rather large sums of Bank of England notes or specie, by persons who are or have friends going to England,

and who thus save the expense without some of the risks of the other modes of transmission. These demands are of course generally confined to persons who are either strangers to or independent of the Banks, *and much more than they can gain by the practice may eventually be added to those Banking charges which fall heaviest on the less independent traders or capitalists*; for, although the whole sums so demanded, in Edinburgh, may not exceed, for instance, *L.2000 a-day*, each of the Banks there may possibly require to maintain a reserve of *L.10,000*, or *L.20,000*, uncertain upon which of them the demand may be made, or that it will be within *L.2000*.

Unless some expedients are resorted to for preventing such demands, a malicious person, with the command of *L100,000*, might easily (by various methods, and with some profit, or at least, little loss to himself) deter the principal Scots Banks from issuing any of their own notes; and the *general* imitation of *his* example might not only render the obtainment of provincial discounts or advances exceedingly uncertain in the interval, but finally leave the *whole* circulation of Britain to be conducted, like that of Lancashire, by bills of exchange and by Bank of England notes or specie, not

to the *ultimate* disadvantage, probably, of the present provincial Bankers, but to the great injury of the nation.

This risk should only operate as an additional reason for removing Banking *restrictions*, and for placing the English Banks on so solid and durable a basis as to authorise their exemption from any other demands, in discharging their notes or other obligations, than for drafts on London *at sight*, their own *large* notes payable in London, *both subject to their charge of par*, or for such *optional* payments in *silver*, merely, as are noticed below.\*

\* As it appears to be doubtful if silver is a legal tender for sums *above* forty shillings, the Banks might have the option, until the above exemption is obtained, of paying *any amount* in silver, where Bank of England notes were apparently demanded from improper motives, providing, at same time, against their liability to be *called upon* for more than 1 or £2 of silver by the same person, or by others for his behoof, within the same or next day.

Considerable sums of gold and silver were hoarded during the war from other causes than the mere distrust of Banks, thereby augmenting the high paper price of these metals occasioned by the European and Asiatic demands for them, the revolutionary state of South America, and the increased freight and insurance, &c. attending their transmission. Many who were too scrupulous to evade the laws by any of the methods then used in the export or sale of coins, were still unfond of enabling others to realize those gains their own scruples prevented them realizing for themselves; and even where they were able to appreciate it, felt consoled for the loss of *interest*, in the prospect of their hoards being readily disposable, at a *profit*, whenever circumstances should

Their *small* notes might, as formerly observed, be *exchangeable* in London, including those of the Scots Banks also, so as to ensure general currency throughout Great Britain for the small notes of every safe Bank.

Those persons who wished to circulate provincial Bankers' *large* notes, directly made *payable* in London, could obtain them on paying the par on London on their amount; and,

occur to render it less revolting to their feelings. The trouble and solicitude attending the safe preservation of these hoards only tended to rivet their *regard* for them—their frequent visits to the well-secured or concealed depositories gradually inspiring a kind of attachment for the *identical* pieces (in addition to that for the *metal* they contained); and, if not actually venerated as a sort of household gods, some of their possessors *counted* them, at least, as often as they *prayed*. The calling in of the *old* coin broke the charm, and, by bringing the holders into contact with Bankers desirous of extending their circulation or deposits, opened their eyes to the *comforts* of compound interest on good security.

From this cause, even allowing for the previous reduction of the paper price of metals, the hoards of the new coinage have been probably much smaller than they otherwise would have been; and the amount of it in circulation rather appears to be unnecessarily large. The reduced rates of wages and prices of commodities, no doubt, frequently employ silver *now*, where paper was formerly used, but, from the extension of Savings Banks, and other economizing causes, the Bankers apparently feel themselves, on the average, somewhat overburdened with silver; for which reason it might be useful to give them the *option* of paying silver coins *to any amount* to those who insist upon Bank of England notes, or specie for their notes.

to provide against the attempts which might be made to take improper advantages of the issuers of *small* notes *exchangeable* in London, but directly payable at their head office in the country, it could be *optional* with their London agents to give London paper or specie for them, if more than 100 were presented by one person at one time, or, in short, to exchange them *at all* to persons they had good reason to suspect were carrying on the same kind of operations as Maberly & Co. now do, in their London draft department of business.

It is true, these small notes, optionally *exchangeable* in London, might yield some profit from the more general currency thereby obtained. But, although the reserves, in their own hands, of specie, &c. on which their issuers are, *at present*, losing interest (besides the expense of agency-commission, procuring them in, and bringing them from London), might *then* bear interest in the hands of London agents, still the greater circulation *a few* small notes might command from this convertibility, in London, into specie, &c. could not cover the par and the agency-commission on the *very large reserves* which would require to be lodged in London by provincial Bankers, if no *optional* power of exchanging their small notes was possessed by

their London agents. These small notes being directly made payable at a provincial Banking office, could, even when the London agents declined to exchange them, be still convertible, at such provincial Banking office, into a bill on London at sight, on the holders paying the par thereon, which is all a safe Bank should be *obliged* to give, in payment of any claims it had not explicitly *engaged* to discharge in some other manner. A reduction, however, in the expenses of *exchanging* their notes in London might be practicable, by the establishment of such exclusive agents for themselves, as were previously recommended ; where their notes might not only be cheaply exchanged, but also partly paid away again without being directly returned by the agents to the issuers.

The latter description of London agencies might be useful, even if the Bank of England possesses the influence to perpetuate its monopoly in or within a fixed circle around London (a result which could easily be avoided, without injury to its proprietors) ; but, if a provincial unrestricted Bank was allowed to issue notes, through a London agency-establishment it might be connected with, in partnership or otherwise, the operations of

these agents could also be subject to such parliamentary inspection as has been previously hinted at, for the *security* of the public. It must, of course, be distinctly understood that the previous suggestions are not *all* calculated for, or meant to apply to any *one* description of arrangements which may be introduced in the Banking system of Britain, but are merely offered for consideration as they may appear more or less applicable to, or compatible with, the various *modifications* which may now, or afterwards be adopted, until the inestimable benefits of *well-regulated*, but otherwise unfettered Banking Companies shall almost efface the recollection of the system, or rather want of system, which now exists. The Bank of England paper, therefore, has been frequently alluded to as that which even unrestricted *provincial* Banks may possibly be legally ordered to pay in exchange for their own ; and, in like manner, specie, the notes of London Banks, or their own *large* notes, payable in London, are also noticed as intermediate methods of effecting the same purpose, if provincial Banks do not immediately obtain the exemption specified in pages 216 and 220. It will also, of course, be kept in view that important changes, the re-

verse, however, of improvements, have actually been made in the state of our currency since the first part of *the present observations was put to press.*

If the Continental Banks are to be cited as authorities for the continuance of the Bank of England charter, it should first be proved that they are established for the same purposes, and, as well as the Bank of England, indispensably necessary in European societies ; that their and the Bank's management has been, and still remains unexceptionable, and unsusceptible of improvement by any comparisons with unrestricted Banking Companies, or the suggestions of those enemies to commercial restraints who scout the idea, sometimes expressed, that the mightiest empire in the world could not *get on* without that monopoly in London, which Banking reformers may correctly denominate the *antinational Bank.*

The only *argument*, if it can be so termed, with which our legislators recently overturned the system of currency they had theoretically and practically supported for many years, was merely, " that it appeared desirable we should have the same standard of currency as other countries,"—an *argument* many must remain unconvinced by, and may consider as

equally sanctioning the recognition of the *Continental Banks* for the imitation of those in England, or the abandonment of every improvement in which we have the start of other nations.

But however defective the other European nations are in the practice of Banking, owing principally to their local position and limited commerce, several even of the Continental Banks are regulated in a very superior manner to the Bank of England, and none of them are protected by such exclusive privileges.

The Continental states, from the various obstacles and disadvantages they experienced as the theatre of war, could not imitate our departure from metallic standards of currency in 1797; but it is very probable if, like us, they had experienced, for 22 or 23 years, the enriching and civilizing effects of a currency independent of metal for its regulator, they would not only have availed themselves of the incalculable benefits of a free competition amongst solid and unrestricted Banking Companies,\* but would have been too wise

\* If one Bank's notes could not become depreciated when exempted from specie payments, every other equally safe Bank might, of course, have enjoyed a similar exemption. It is surprising the Bullionists did not propose the experiment, to ascertain if some

and *economical* to abandon a cheap and invariable, for an expensive and most variable currency of metals. *Party spirit*, indeed, has been the principal cause of what will, perhaps, appear to posterity an infatuated and ruinous rejection of the most important improvement or discovery mankind have stumbled on since the invention of printing. The Whig and Radical writers and orators, with hardly a single exception, having made the Bullion question incessantly instrumental in the promotion of their respective party purposes, are still more entitled than the Tories to the merit or demerit of restoring metallic standards. Some of them, no doubt, only recommended ingots, which were certainly a shade less objectionable than the coins many others were clamouring for; but, on the other hand, ministers, and their adherents, appear to have displayed the greatest weakness and inconsistency in allowing themselves to be goaded into the restoration of *any* description of metallic standards, without the most formal and universally acknowledged *refutation* of their own previous theories, and of the numerous and valuable contemporaneous over-issue only 10 or 15 per cent., whilst others were over-issuing to the extent of 20 or 25 per cent.

ary publications which maintained that the opposite theories were erroneous.\* The gene-

\* The Opposition, indeed, were less noisy upon this point after the restoration of peace, and of the foreign exchanges to par; and ministers, by the King's speech in last session, seem very strangely to claim the *merit* of this resumption of specie payments exclusively to themselves. Party spirit displays itself now in every thing. One man may allege, in the half-earnest tone so usual on such occasions, that, in unison with their restoration of *old* sovereigns elsewhere, ministers have introduced their metallic namesakes here, as best fitted, from their intrinsic *worth*, or expensive nature, to bear the title and likeness of *royalty*, and to keep alive, by an association of ideas, the public admiration of its other *shining* qualities—displacing, at same time, the usurping “old Lady of Threadneedle Street,” who had threatened to alienate the affections of this great people from the “*legitimate rulers*” of currenny. Another would have considered it a great improvement in these coins, if the Queen's head had been opposed to the King's, instead of the fabled slayer of nonentities. A third swears by George the martyr, or by *all* the Georges, that a *saint* is the proper *reverse* of a *sovereign*, and that it is befitting the *dragon* should also flourish, circulate, or flap about, as in the *former* golden age, as a *valuable* typification of the obstinate struggles of *vice*, until a *living* Queen shall be *sainted* in the *calendar*, to mark the commencement of the millenium. A fourth asserts, that, with a *Queen-like* reverse to the sovereign, the radicals would have executed their patriotic threat of a *run* on the Banks, after the resumption of specie payments. A fifth, that their hatred of Banks and *public credit* would have prompted them to monopolize these golden representatives, even of the royalty they dislike, had *better wages* enabled them to do so. A sixth admires the wisdom of ministers, and its directors, in withdrawing the Bank of England's 1 and £2 notes, before the radicals had accomplished their projected imitation of Mr Pitt's alleged plan with the French assignats, by covering our fields and streets with forgeries. A ministerialist, attending only to the last part of this remark, pathet-

ral distress in this and other countries which has originated in this measure, was distinctly anticipated by *all* parties long before it was gone into, and ought to entail the severest self-reflections on those who ventured to support it on mere party-grounds, or without the sincerest conviction that it was absolutely necessary *in principle*, and also that its adoption could not beneficially have been *delayed*. It has been reserved for the philosophers and political economists of the present day to display their pure and incorruptible love of *truth*, by deciding a question naturally as abstract as any in mathematics, but infinitely more important to society, in exact conformity with their respective political leaders or party.

Such appearances afford the strongest grounds for suspecting the motives for, and the accuracy of the measures adopted or recommended by *either* party, in regard to our currency, and call for an impartial and persevering examination of the Bullion question until it is set for ever at rest.

**If liberty, justice, and individual or national**

ically exclaims, "*O tempora! O mores!*" and a "Times"-man, firing at this supposed allusion, rejoins, "I hate the *New Times* and the *Tories*." Happy the *neutral* who thinks "the world's a stage, and all the men and women merely players."

happiness are the real objects political combatants have in view, they, and their descendants, may probably be more convinced, from such an examination, how seriously they counteract these laudable designs, by allowing their minds and actions to be so warped or influenced by party considerations.

As a sincere wellwisher of my country, and of mankind, I shall continue to contribute my humble and feeble aid in stimulating persons with greater influence, time, and ability, to the prosecution of the deeply interesting questions connected with the circulating medium ; and, in the meantime, shall consider that the British Government will best atone for the aberration from sound policy or correct principles of political economy many presume to think it has displayed in the recent resumption of specie payments, *by the immediate abolition of existing Banking restrictions.*

## N O T E S.

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NOTE A.—*Page 6.*

I HAD been at considerable trouble in attempting to call the attention of various members of government and of parliament to the hurtful effects of the Bank of England and Bank of Ireland monopolies, previous to transmitting the letter alluded to to Lord Liverpool, and have some pleasure in thinking that these humble efforts of an obscure individual *may have possibly* hastened the subsequent modification of the restriction in respect to Ireland. I was also at great pains to arrest, if possible, the progress of the *metallic mania* in 1819; and my animadversions on the apparent disregard ministers had previously shown to the suggestions of various authors on currency proved that I was not only prepared for a similar reception for my own, but was entirely uninfluenced by such personal motives as some illiberal minds generally attribute to those who express, by their *labours*, any anxiety for the welfare of society.

It is rather remarkable that the Irish capitalists have not yet availed themselves, to any extent, of the recent permission to establish unrestricted provincial Banks in Ireland. It is said that the great commercial city of Limerick, containing about 70,000 inhabitants, has been actually without any Bank whatever since the failures about 10 or 12 months ago, and that its merchants, &c. are at this moment under the necessity of sending their bills for discount to Dublin, a distance of 85 miles, and receiving, at considerable risk and expense, Bank of Ireland notes for the proceeds. Indeed, in the south and south-west of

Ireland, there appears to have been a total want of local Banks since the desolation which overspread that bounteously gifted but ill regulated country from the almost universal failure of its Banks. The interest of money is declining in England and Scotland; and the great probable profits of establishing Banks in Ireland, where there is now very little provincial paper currency, will no doubt speedily attract more attention, particularly as, in various parts of Ireland, the nature of the business carried on by the merchants, manufacturers, &c. exposes a well conducted Banking Company to smaller risks than are experienced in almost any district of Britain. The legal rate of interest is 6 per cent., but I believe the Bank of Ireland only charges 5 per cent.; and I may here observe, in correction of the supposition in p. 10, that its monopoly is still continued in Dublin and within a certain distance of that city.

A considerable source of profit might be found in the fluctuations of the exchange with Britain, were Banking establishments to be formed in Ireland by English capitalists, or by persons in Ireland, with the same means of availing themselves of such fluctuations.

The assimilation of the Irish to the British denominations and values of coins or currency would be most beneficial to both countries, and, with the equalization of weights and measures, would remove serious impediments to commercial intercourse.

Mr Shaw Mason, in his preface to the 3d volume of the Parochial Survey of Ireland, draws the following contrast betwixt it and Scotland, showing the superior developement of the resources of the latter, imperfectly as they yet have been cultivated:—"Scotland possesses 1,804,864 souls, not more than one-third of the supposed population of Ireland, yet, in 1813, Scotland paid £4,204,097 : 7 : 9 of net revenue, amounting to within half a million of the net revenue of Ireland. A Scotsman therefore pays £3 to the state for every £1 paid by an Irishman; and, by the same rule, Ireland, instead of paying only £4,822,264, the amount of net revenue in 1813, ought to afford £14,466,798, without burdening the people more than they are in Scotland.

“Scotland has only 19 millions of acres, of which only 5,043,000 are fully or partially cultivated. Ireland has more than 20 millions, of which 15 millions are fully or partially cultivated. Ireland, therefore, has the superiority over Scotland in the proportion of nearly three to one in all that relates to the produce of the soil, the primary source of national wealth ; and, in soil and climate, Ireland exceeds Scotland in the proportion of three to two.

“ It follows that Ireland exceeds Scotland in resources, as three to one calculating on population, three to one in extent of productive soil, and three to two in the quality of that soil ; therefore it follows, that if the *capabilities* of Ireland were equally brought into action with those of Scotland, it ought to produce a revenue of about six times that of Scotland, *viz.* about 25 millions sterling, without the people of Ireland being heavier burdened with taxes than those in Scotland.”

The net revenue of Scotland, when Bank paper money was first introduced into it, was not the 600th part of what it was in 1813. So much for the effects of credit or mutual confidence.

NOTE B.—*Page 19.*

BANK OF ENGLAND PROFITS.—(*Parliamentary Paper*).

*An account of all Distributions made by the Bank of England amongst the Proprietors of Bank Stock, whether by money payments, transfer of £5 per cent. Annuities, or otherwise, under the head of Bonus, Increase of Dividend, and Increase of Capital, betwixt the 25th February 1797, and 1st May 1819, in addition to the ordinary Annual Dividend of £7 per cent. on the Capital Stock of that Corporation existing in 1797, including therein the whole Dividend paid since June, 1816, on their increased Capital ; stating the period when such distributions were made, and the aggregate amount of the whole :—*

In June, 1799, 10 per cent. Bonus in 5 per cents. 1797, on £11,642,400 is £1,164,240  
In May, 1801, 5 per cent. Bonus in Navy 5 per cents. on £11,642,400 is 582,120

Carry over. £1,746,360

		Brought forward, £1,746,360
In Nov. 1802, 2½ per cent. Bonus in Navy 5 per cents. on £11,642,400 is		291,060
In October, 1804, 5 per cent. Bonus in Cash on	£11,642,400 is	582,120
In October, 1805, 5 per cent. Bonus in Cash on	£11,642,400 is	582,120
In October, 1806, 5 per cent. Bonus in Cash on	£11,642,400 is	582,120

*From April 1807, to April 1819, both inclusive:*

Increase of Dividend at the rate of 5 per cent. per annum on £11,642,400 is 12½ years, or £37:10 per cent.....	4,365,900
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*In June 1816:*

Increase of Capital, at £25 per cent. is.....	2,910,600
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*From October, 1816, to April, 1819, both inclusive:*

Dividend at the rate of £10 per cent. per annum on £2,910,600, increased capital, is three years' dividends, or £30 per cent. on £2,910,600 is	873,180
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Aggregate amount of the whole £11,935,460

Annual Dividend payable on Bank Stock, in 1797, on a Capital of £11,642,400,	
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at the rate of £7 per cent. per annum,..... 814,968

Annual Dividend payable since June, 1816, and at present, on a Capital of £14,553,000, at the rate of £10 per cent. per annum, .....	1,455,800
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*The undivided profits are not stated, but are supposed to amount to several millions.*

*An Account of the Price of Bank Stock, on the 1st of March, 1st of June, 1st of September, and 1st of November, in each Year, from 1807 to 1819, or on the subsequent days on which there was a Price.*

1807	2d	March	225	2d	June	232	1st September	235	3d November	224
1808	1st	.....	231	1st	.....	238	1st .....	239	2d .....	229
1809	1st	.....	245	1st	.....	250	1st .....	287	1st .....	286
1810	2d	.....	274	1st	.....	262	5d .....	256	3d .....	252
1811	1st	.....	243	6th	.....	240	5th .....	238	6th .....	252
1812	2d	.....	250	1st	.....	225	1st .....	225	5d .....	214
1813	1st	.....	219	1st	.....	215	1st .....	217	2d .....	219
1814	1st	.....	261	2d	.....	248	1st .....	253	2d .....	247
1815	1st	.....	256	1st	.....	227	1st .....	255	1st .....	241
1816	1st	.....	251	5th	.....	225	5d .....	216	2d .....	216
1817	1st	.....	246	2d	.....	256	1st .....	279	5d .....	286
1818	2d	.....	287	1st	.....	270	1st .....	268	2d .....	273
1819	2d	.....	261							

NOTE C.—*Page 84.*EXTRACT FROM A LONDON NEWSPAPER.—(*October, 1821.*)

“THE county of Lancaster, a county containing near a million of inhabitants, has been for a long time supplied only with Bank

of England notes, all confidence in local paper having been destroyed by the failure of a very large Banking-house in Manchester. When the Bank of England ceased to issue one pound notes, great quantities of sovereigns were sent down, which were eagerly taken ; and, at length, the Bank refusing to send any more, much inconvenience was felt in consequence. Some persons then suggested the establishment of local Banks, a suggestion which created so much alarm, that, a few days back, there was a numerous and respectable meeting at Manchester, at which, after some able speeches from Mr Wood, &c. strongly urging the danger and pernicious effects of country paper money, resolutions were unanimously agreed to against receiving and circulating any local notes that may be issued : and a committee was appointed to obtain the co-operation of the people at large." Let those take the trouble to peruse the columns of our newspapers for the last 15 or 20 years, who wish to attain *accurate* notions of the ignorant prejudices by which some of our boasted men of figures, and also not a few of our merchants, manufacturers, &c., are still biassed ; and these prejudices are particularly obstinate in regard to *paper currency*, when they have either got independent of *Banks* or into discredit with them. Each of these persons will be found, however, contradicting the other ; for, in their anxiety to trace *every* disaster to "the *curse* of paper money," they ascribe to it evils which are so totally opposite in their nature and effects that their contemporaneous existence can never be owing to the *same* cause. The editor of the paper remarks of this Manchester meeting :—"This is something to scare even the 'old lady of Threadneedle Street,' as well as all her children ;" meaning, I presume, that the Bank of England and provincial Banks will be greatly alarmed at such a determined opposition to local paper, although, at same time, he does not give the slightest reason why the Bank of England should be alarmed at sovereigns supplying the place of its withdrawn £1 and £2 notes, or why the country Banks already established should become greatly afraid because others are not allowed to be established elsewhere. Notwithstanding the "fine and

able speeches" alluded to, I here venture to predict the universal establishment of *issuing* Banks, in Lancashire, as the trouble of conducting operations with so much *metal* (near to the Birmingham mints) should *speedily* evince the necessity for local paper,—*one* probable *good* consequence at least of the Bank of England withdrawing their notes under £5. It will, of course, be seen that this note was not written when referred to, page 34, as the Bank of England had not then announced their intended discontinuance of £1 and £2 notes.

#### NOTE D.

This Note is referred to page 35, in corroboration of the assertion respecting Scots enterprise; page 57, respecting the possible economizing of Bank Notes in Scotland; and page 135, in explanation of the conduct of certain directors in a Scots Bank, animadverted on in Mr Allan's pamphlet. The reader may possibly take the trouble of culling out these distinct minutiae from the following unarranged observations. The alliances with France and other continental States, which the Scots nation formed with the view of counterbalancing the superior wealth and numbers of its English rivals, afforded full scope for the warlike, restless, and enterprising genius of its hardy population; and infused or maintained the high polish, the chivalrous enthusiasm, and the scientific attainments of powerful allies, amongst a people whose internal habits, and vast external openings for employment, united to inspire each of its component members with the highest aspirations after individual celebrity or distinction. It would be out of place to analyse the galaxy of Scottish heroes and learned men who figured for one or two hundred years previous to the union with England. The impetus previously communicated to the national mind and character, had been displayed to such an extent even in *mercantile affairs*, that a great portion of European commerce was conducted by Scotsmen, who had then comparatively inferior opportunities of acquiring any knowledge of such operations in their own country. As before

noticed, the Bank of England itself was projected by a native of Scotland, " who, being defrauded of his just recompense by those who adopted his plans, resolved to confine his future schemes to the benefit of his native country." He accordingly formed " the magnificent plan of an emporium on each side of the isthmus of Darien, by which," to use his own emphatic language, " he would wrest the keys of the world from Spain." The English East India Company, which Patterson had also succeeded in establishing, made the first use of their monopoly-influence, by displaying the true illiberality and ingratitude of monopolists, in most strenuous efforts to ruin this noble design; and, in striving unsuccessfully, but with devoted fidelity to their mutual and national engagements, against this and other sinister interests, the Scottish nation was most seriously and permanently injured. The contrast betwixt its own poverty and the grandeur of these projects, is not only deeply interesting, but is a striking example of what could be accomplished with small means and noble perseverance where overwhelming and narrow-minded opposition does not quench the very first dawning of enterprise. Law next figured in the commercial or financial world; and, although his Mississippi scheme was ultimately ruinous to those who embarked in it, many of his views were much sounder and infinitely more ingenious than those of a great number of his successors, notwithstanding all their advantages and all their misrepresentations. The works of Sir J. Stewart, the father of political economy, display more real knowledge of the true principles of currency than most of those which have been since published; and Hutchison, about a century ago, produced the schemes for discharging the national debt which recently made so much noise from their *apparent* novelty. Hume and Smith's profound essays on political economy have been followed by innumerable works from the pens of their countrymen, who, without flattering national vanity, have displayed an ardour, as statisticians and political economists, altogether unprecedented in any other age or country. When the effects of the political feuds of 1715 and 1745 had subsided, Scotland once more displayed its innate vigour in commercial affairs; and,

whilst the trade with France, Holland, the Netherlands, and Hanse Towns, was eagerly prosecuted on the *east coast*, the American and West Indian trade of Glasgow was very successfully conducted,—the subsequent operations of Douglas, Heron, and Co. and the great mercantile house of Alexander and Co. with the drawings and re-drawings on London, resorted to by the Scots Banks about the same period, 1770 to 1776, all as detailed by Dr Adam Smith, presenting also very strong indications that the old spirit still survived. Since that period this spirit has been sufficiently visible in every commercial town in Scotland,\* and also in England, particularly in London and Liverpool; besides manifesting itself in Canada and other parts of British America, the united North American States, South America, the East and West Indies, and, in short, wherever the footsteps of civilized men have marked the exploring, elastic, and adventurous nature of their bartering propensities. Mercantile houses have of late years discovered, by the very unpleasant process of ranking on their estates, that a great many of their Scotch debtors have not only lost their own but their creditors' money from this almost national inclination for enterprises, fully equal to, or often beyond their means of conducting with advantage. It appears to be owing to this disposition, the reverse of which is occasionally asserted to be their distinguishing characteristic elsewhere, that the great proportion of the merchants, &c. in Scotland transact with several Banks, under the apparent impression that they will be thereby enabled to extend their credit and operations to the very utmost, a practice which (as formerly observed) exposes the Banks to considerable risks and to still greater expense in the larger amount of notes used in consequence. From the same

\* Some of the wealthy, indolent, or less intellectual inhabitants of other countries, amongst whom Scotsmen so often realize fortunes, delight in describing them as a sort of cosmopolites, who get forward merely by dint of low cunning or political and personal suberviency. What political influence, however, have Glasgow, Paisley, Greenock, Aberdeen, Dundee, or Leith, when they must esteem it a great victory if their united efforts induce the Lords of the Treasury to reverse or correct the harsh or injurious measures of some (probably English) customhouse or excise officer? or by what *cunning*, but that of skilful workmen and merchants, have these and many other places in Scotland raised themselves to opulence, and founded the most munificent public institutions and superb buildings, unaided by a farthing of government money?

disposition they appear to have given considerable employment, formerly, to private or non-issuing Bankers. These were also, generally, sea and fire-insurance brokers, or agents for provincial Banks ; and, being still more closely connected or intimate with the mercantile classes than the regular Banks, they were very often resorted to for accommodations, either when the public Banks were limiting their discounts or were less acquainted with the circumstances of the applicants. The desire of avoiding the exposure of their transactions in so limited a field, may have also induced some merchants, &c. to prefer discounting with private Bankers, even when subject to their extra charge of commission in consequence of not issuing notes.

The private Bankers, too, exerted more activity in acquiring a knowledge of the drawers, acceptors, or indorsers of bills, than some of the older issuing Banks, whose imperfect selection of partners and directors easily accounts for all their defects in this or other respects. Being generally men of considerable ability, and having gradually obtained wealth and a superior degree of information, both in regard to traders in Scotland and the nature of their occupations, many of these private Bankers had the address to get into the direction of the public Banks, and, by their experience and knowledge of business, frequently acquired a controlling ascendancy in their management. This ability and professional *tact* may, no doubt, have been frequently of great service to the public Banks in their speculations in the funds—in their discounts—in their advances on credits—or, in short, whenever the feelings of the private Banker did not influence his directorial decisions. But, on the other hand, some of these persons might wish to prevent the public Banks from allowing so high a rate of interest on deposits as they themselves allowed, which may perhaps account for the fact of one of these private Banking Companies having had generally 14, 15, to 18 hundred thousand pounds of lodged money. Others may have wished to discourage the public Banks from discounting to the agents or travellers for English houses, or from taking bills payable in certain provincial towns, which may also account for the great extent of such operations transacted by the

private Bankers, and their accompanying purchases and sales of the London paper, usually given for the proceeds of their discounts, to English and frequently to Scots houses. A third class, for similar reasons, might be desirous of curtailing, as much as possible, the purchases and sales of government stock by the public Banks for behoof of individuals ; also, their *advances* on such security, and on Excise, Customhouse, or fishery debentures, &c. and might be equally anxious to prevent their acting as agents for provincial Banks. It not unfrequently happened that the applicants who were refused discounts at the issuing Bank by the private Banker jointly with his co-directors, felt no difficulty in obtaining them at his own office, and it was equally common when the government-funds, or other channels for investments, appeared encouraging, to find the private Bankers drawing so much from the public Banks, on the credit of their shares, or on bills lodged, &c., as greatly to diminish, if not altogether to destroy the ability of these Banks to avail themselves of the opening on their own account. The formation of rival companies to the older Banks roused the latter to greater shrewdness, and, both classes having since helped to limit the private Banker's former sources of profit, the latter are, therefore, likely to be principally occupied, in future, merely as agents for country Banks ; and it is probable they will only retain such agencies from the unwillingness of some of the larger Banks to take so much trouble for a small remuneration, or that of the provincial Banks to expose their transactions to those who may become their rivals, by establishing branches. No firm, which could be properly termed a private Banking Company, has failed in Scotland since the bankruptcy of Bertram, Gardner & Co. nearly 30 years ago. I shall conclude this long miscellaneous note by observing, that *no private Bankers should be directors in public Banks.*

## NOTE E.

This note is referred to, p. 70, in explanation of the Chancellor of the Exchequer having insisted on a reduction of Banking

charges on government remittances; and in p. 214, respecting Maberly & Co.'s system of drawing on London.

Mr or Messrs Maberly, M. P. have considerable flax spinning-mills in various parts of Scotland. Some of the Scots Banks are said to have hesitated about the extent to which the *managers* of these manufactories wished to draw for, on their *employers*, payable in London. M. & Co. being well known, apparently, to sundry commercial travellers, are stated to have, subsequently, sold such drafts to them, instead of offering them to the Banks; and, having the prospect of some circulation, to have paid their workmen's wages, and other disbursements, in their own small notes, made payable in London. Whether it was owing to the *previous* demands M. & Co. may have made on the Scots Banks for Bank of England notes or specie, in exchange for such of their notes as they received in the sale of their London drafts, or for some other cause, the Banks universally rejected M. & Co.'s notes. M. & Co.'s subsequent operations gradually acquired, however, a more extended and systematic appearance. One or both of their parliamentary partners are understood to have offered to remit the revenue from Scotland, by drafts on London, at a shorter date than the regular Banks had hitherto remitted it in; the latter having charged an extra par on these *large* sums, from the occasional difficulty of effecting sufficiently extensive purchases of London paper to meet them, and the necessarily great extent of their reserves or lodgments with London Bankers, in constant preparation for such drafts. The government was aware that it had the power of conveying the Scots taxes to London at a much cheaper rate, by demanding Bank of England notes or specie for the notes they were paid in, and forwarding the latter per mail, but they did not wish to take an advantage, in this respect, of the Scots Banks, which would have sanctioned an increase of their charges to the public in other departments of their business. M. & Co. being less scrupulous, tendered their *patriotic* services so keenly, that the Chancellor of the Exchequer, to prevent, perhaps, further openings on this point for their *opposition* speeches, was forced to insist on some reduction in the par

of the Bankers' remittances of government money. M. & Co. saw that very large sums of Bank of England notes or specie could be transmitted to London, at an expense only of about £10 for the travelling charges of some confidential messenger, if they did not choose to forward them as mail-parcels, at an expense of a few shillings. They also perceived, that if a great many individuals were to unite in demanding Bank of England notes or specie from the Scots Banks, when they wanted to remit to London, they could also unite in confiding their respective remittances to the same messenger, and that their proportional shares of his expenses would be much less than the 40 to 50 days' interest then charged by the Banks for drafts on London at sight. Nobody had been previously blind to this plan, nor to the ease with which the Bank of England notes could be *divided*, and one part forwarded by the east road to London, and the other by the west or Carlisle mail on the *same* day, if the latter portion could not conveniently be retained for *next* day's mail to London, nor was any person ignorant that, if a certain degree of *risk* attended such remittances, the danger, on the other hand, of failures amongst the *drawers* of Bank *bills on London* was thereby avoided, although, at same time, this was never considered to be very great. Few, however, would condescend to avail themselves of such a pitiful mode of making or saving money, and still fewer even of those who had the inclination were disposed to encounter the stigma of harrassing the Banks, or the consequences of *their* just displeasure. M. & Co. voluntarily stepped forward to relieve some worthy, honourable, and liberal-minded persons from the predicament their own *modesty*, and the difficulty of finding *general agents* less embarrassed by that quality, had so long kept them in, in their designs on the Banks. M. & Co.'s most simple plan would have been to advertise, that they would act as *porters* for all those who did not wish to be *known*, in obtaining Bank of England notes or specie from the Scots Banks, and that, by combining a great number of remittances together, they would be enabled to forward either the least or most valuable parcels to London, at a *very moderate* charge for *transmission*,—

their previous portage-charges, from the same principle of combination or the subdivision of labour, *being equally moderate*. Instead, however, of confining themselves to a “money-porter” or a “money-parcel” agency, this manufacturing company have incessantly puffed, in the Scots newspapers, about their “Edinburgh, Glasgow, Dundee, Aberdeen, and Montrose Exchange and Deposit Banks,” “most respectfully announcing” that they draw on London at a shorter date than the regular Banks—that they *take in* as much money at 4 per cent. interest, as the public pleases, upon security equal to that of any Bank in Scotland, without a syllable about *giving any out* as Bankers—that they buy and sell government stock for the London stock brokers’ commission of  $\frac{1}{8}$  per cent. producing his certificates as to the prices paid and received, whenever required to do so; and finally, expecting, “from these and various other accommodations, to be favoured with public support and patronage.” When they commenced in this line, the Edinburgh Banks allowed 20 days’ interest on all the London bills they purchased or discounted not exceeding 100 days’ currency, and gave, in exchange for their own or other Scots notes, their drafts on London, at 40 days’ date for sums above £200, at 45 days’ date for sums betwixt 100 and £200, and at 50 days’ date for sums under £100; none of them charging the *stamps* except one or two of the older Banks. As the stamps fall heaviest on sums *under £200*, the additional charge of 5 or 10 days’ interest on such drafts was not an equivalent, and the Banks, therefore, were *better* with 5 or 10 days’ *less* on *larger* sums. M. & Co. began by drawing on London at 20 days’ date, with a charge for *stamps*, never specified in their advertisements. The Banks shortly afterwards reduced the date of their drafts to 20 days also; but, as they at same time discontinued their former allowance of 20 days’ interest on the London paper they discounted, they neither gained nor lost by the change, excepting those who had not previously made any charge for *stamps*, which have been charged by *all* the Banks since this alteration of the par. The Banks, in now drawing for sums under £200, at 20 days, are better paid than when

they drew for such sums at 45 or 50 days, without charging the stamps; and, on sums *above £200* they are gainers, by the change, to the extent of the stamp duty, which, on the average of drafts above £200, is equal to an additional week to the par. This is the great public *benefit* derived from the operations of M. & Co., whom *The Scotsman* newspaper has eulogized as “the reformers of the Scots Banks.” Without entering into a lengthened examination of the real grounds the mercantile remitters or purchasers of *London paper* may have for their rejoicings at the reduction of the par, or into the regrets of the sellers, now deprived of the former allowance thereon by Bankers and merchants, I may merely remind the former, that, in now paying 20 days’ interest, and 4s. 6d. for stamp, on a Banker’s draft on London for £110 at sight, they might as well take it at 35 days’ date; and that, if such a small difference betwixt this and the former par for £110 exhilarates them so highly, it is strange they do not advise M. & Co. to “*reform the Post-office also*,” by drawing on *sheets of paper*, which would save *another shilling!* on each draft, and guard against the abstraction of drafts from letters, by letter-carriers, &c. Annuitants, or persons drawing dividends on government-stock, or for government-pay, &c., may no doubt repine at the loss of the former premium on their drafts; but the importers and exporters of goods must enjoy their former profits or the current rate of profits on trade, amidst all such changes in the par, so long as the *Bankers’ profits* on the purchase and sale of London paper are not thereby altered. I am humbly of opinion there is no necessity for the transmission of Bank of England notes or specie betwixt England and Scotland, and that the balances of exchange betwixt *all* countries can at all times be easily effected, without the use of a single ounce of *metal*, unless as a mere commodity or portion of exportable produce. With this impression, I would consider it no great improvement if the cost of transmitting metals from one place or country to another was reduced to half its present amount, and that the great object should be a reduction in the charges of bill-transaction, and in the expense

of transmitting that *mass* of commodities, the imports and exports of which, being necessarily of equal value, require no specie to aid their adjustment. M. & Co., so far as *national* interests are concerned, have rather increased than diminished the expenses of international bill transactions. One method of avoiding the present Banking charges, in part, has been found in the practice of merchants directly buying and selling bills on London, &c. amongst themselves, applying only to Bankers for the small balances or odd sums left unadjusted by such mercantile bills being occasionally unobtainable for the exact amount required to be remitted; and, if this practice could be generally or beneficially adopted in Scotland, merchants or others have always opportunities of purchasing bills on London from each other, without paying any premium whatever, instead of taking M. & Co.'s drafts at 10 days' sight, the still "further reduced rate" they now draw at. Consistently with their non-advertisement of their charge for *stamps*, M. & Co. leave the readers of newspapers to discover elsewhere, that, in advertising drafts on London "at 10 days," they mean drafts at 10 days' *sight*,—which, allowing for the 3 or 4 days before they can be got accepted by some person in London, who must take the trouble of leaving the drafts one day and calling for them at the drawee's the next, are, in reality, worse than drafts at 14 or 15 days' date. It is easy to see that, with moderate agency charges in London, M. & Co. can perfectly afford to draw on London at 10 days' sight, with little or no loss to themselves; and, instead of being under the necessity of advancing a single penny of capital, that such drafts may give them the use of the payee's money, (that is, of the sums for which they can keep them afloat), by giving the drawees security over the government stock, for instance, they may purchase therewith. They never grant drafts, it is said, unless for specie, or the notes of the Bank of England or Scots Banks, the latter being almost always the medium of payment. M. & Co. instantly carry these to the issuers, if their head-office is at any of the five towns where the former grant drafts, or to the agents there for the issuers; from the *first* they demand Bank of

England notes or gold, and from the *last* the notes of some Bank in the same place, from whom they can exact this *legal* description of payment. They have it, therefore, always in their power to lodge the funds with their London agents *before* the drafts are accepted ; and although M. & Co. may be as rich as is reported, it is evident this trade could be conducted by any poor man who could persuade the public that he would not divert the money from the purpose for which it was put into his hands, viz. to lodge it with some respectable London firm regularly as he granted drafts on them for it. M. & Co. have it in their power, if they do not wish to make *daily* remittances to London, to lodge their money *in other names* with the Scots Banks, upon current accounts, or deposit receipts, bearing 3 or 4 per cent. interest, until they find it more agreeable or necessary to remit the Bank of England notes or specie obtained when these deposits are uplifted, having various opportunities for eluding the attempts of the Scots Banks to detect the accessories to such possible schemes or the *purchasers* of their drafts. A person in indifferent credit, or, at least, unentitled to confidence, frequently has the address, by exciting sympathy, by flattery, or by misrepresentation, to obtain considerable Banking accommodations upon the *same* terms as others of unquestionable safety—the Bankers having no practice, like that of *merchants*, in occasionally proportioning their charges to the apparent *risk* with each debtor. Yet such a person, after fawning upon and importuning Bankers out of their money, will frequently be seen slipping away with it to purchase M. & Co.'s drafts, forgetful of all protestations of gratitude, &c. either with the paltry desire of saving two or three days' interest, at a much greater expense to those who were *supporting his credit*, or eager, perhaps, to deceive his Bankers still more seriously from the facility thus presented by M. & Co. to his *secretly* obtaining drafts on London to meet the *accommodation-bills* he had passed off on the former, as *bona fide* bills for goods sold and made payable in London, aware that, in purchasing from them, he runs still *less* risk of his own Banker's hearing thereof, than if he bought drafts from some of the regular and more public Banks with which his Bankers

might be in communication. In short, the mean-spirited purchasers of M. & Co.'s drafts pocket a trifling gain by methods which the more liberal and respectable part of the community despise to imitate. If we examine the benefits M. & Co.'s "deposit Banks" confer on the depositors, we shall find them of a still more negative description than those of their "exchange" department. They do not allow more interest than can be obtained from some of the securest Banks in Scotland. They offer to *repay* such deposits by their own notes, *which few people will take* owing to the Banks refusing to receive them ; and, as these notes are payable *in London*, the depositor must either have occasion to remit them to England, when he uplifts his money, or discover some person who has occasion to do so, willing to take them off his hands. Failing in this, he must be at the expense and risk of forwarding them to London, and of drawing on his agent there for the amount, or avail himself of M. & Co.'s alternative to repay a depositor by their drafts on London at one day's sight, on his paying 10 days' interest at 5 per cent. and the stamps, or at 10 days' sight, and also paying for the stamps. The depositor, therefore, who had no occasion for London paper, on withdrawing a lodgment of £120, which had lain a week, month, or year, would receive 7 or 8s. less by M. & Co.'s mode of repayment, than if he had kept it with some of the regular Banks alluded to, from whom, if demanded, he could either have got Bank of England notes, still more suitable for effecting any of his remittances than M. & Co.'s notes payable in London, or have got Bank notes universally current over Scotland, and convertible even into M. & Co.'s 10 days' sight drafts, should he subsequently wish them. M. & Co.'s notes do not exceed £1, and contain an abridgement of their newspaper advertisements, intimating, that the holder of *ten* or more of these notes will be entitled to their drafts on London on the terms specified, and trusting "that these accommodations will be found *extremely beneficial* to persons taking this paper." Extremely beneficial, certainly, to the unfortunate holder of *fewer* than ten of their notes, who must buy articles from some avaricious shopkeeper at an extra price to bribe him to take them, or

must retain them until he meets with some friendly person going to London who will take the trouble of presenting them there for payment.

The profits of the Scots Banks, however great they may have appeared for the last 30 or 40 years, are not higher than those which have been realized, during the same period, by individuals or companies with equal capital and industry in other branches of employment ; and the only *apparent* benefit M. & Co.'s establishments hold out to the public, is in the reduced rates of their commission in the purchase and sale of government-securities. At same time, one or two of the regular Banks appear to conduct these operations on equally low terms. The only other *interesting results* of their *labours* "to reform the Scots Banks," are the prosecution they were threatened with for exercising the *scissors* too freely on their notes, and the action raised by themselves against one or more of these Banks for refusing to give them, *even on a guarantee*, twenty shillings for every one of several hundred halves or quarters of £1 notes they had lost or mislaid the other portions of—M. & Co. being apparently forgetful, in thus "cutting up" their notes, that the Scots Banks enjoyed none of the Bank of England's advantages in compromising the stamp duty, to enable them to imitate its example by never re-issuing the same notes. It is surprising the regular Banks do not also reduce their rate of drawing on London to 10 days' sight, which would at once place M. & Co. *hors de combat*. On the average, these drafts would not be presented for acceptance for 6, 7, or 8 days, which would render them payable about the same time as drafts at 17 or 18 days' date ; or these Banks could pay away *with their indorsations*, the bills on London they purchased, which would not only enable them to reduce the par to 10 days' sight, but would also be a considerable saving of London agency-commission and other charges attending their present mode of granting drafts. M. & Co. are generally understood to be persons of large property, and to have originally adopted the system here noticed, principally out of pique to *one or two*, merely, of the Scots Banks ; but, from what-

ever motives it is pursued, I have considered it worthy of remark, solely on *public* grounds, as a most injurious precedent for more general imitation, and as an additional *proof* of the necessity for the various Banking changes previously discussed.

NOTE F.—*Referred to Page 180.*

A considerable part of the rise which took place in the prices of many articles during the late war may possibly be ascribable to the increased number of hands through which they passed in their progress to the consumer—the fluctuations of prices giving rise to a *speculative* disposition amongst all classes, and particularly to a class of traders who “*played at commerce*” as they would have done with the dice. The traders of *real* capital must have imposed such additional prices on the articles they dealt in as would counterbalance the frequent losses attending the insolvency of their debtors, whose expenditure being generally extravagant, and their operations actually in a great measure nugatory in facilitating the production of goods, or expediting the proper course of trade, operated as a heavy tax on consumers. Every *gradation* of dealers was over-run with such characters; and, instead of reducing prices by competition, *ten* warehousemen or shopkeepers, transacting the *same* extent of *real* business with the consumers which had been previously done by only *five*, laid the rents of *ten* instead of *five* shops or warehouses, the wages of more numerous servants, and their own domestic or proper expenses, upon the very same extent of articles previously sold. Every trader, too, being eager to maintain the largest possible stock of goods, in the chance of reselling with a profit, during some of the incessant alterations then experienced in prices, created an *artificial* demand for most articles by their constantly increasing stocks; and, even where an individual, who had formerly sold 100 of any article in a week, found his sales reduced to 50, by additional retailers in the same line, this hope of profiting by fluctuations, and the necessity for retaining customers by displaying *at least* his *former* stock of goods,

prevented the otherwise desirable diminution therein. No tax, in reality, presses more heavily on the people than that which they voluntarily incur by their fondness for *fine* and well-stocked shops and warehouses, and by that *indolence* which fills *every* street with shops of *all* kinds, where a few paces of healthful walking could carry them to a smaller number of central depots, each possessing a still cheaper and more extensive selection of goods than can be presented by any one of the *present* class, owing to the causes already alluded to, or others equally obvious. This, however, being a voluntary tax, still leaves every individual to do as he thinks best. But there are other and more *serious* causes for the overtrading, or rather the unproductive occupations of superfluous middlemen betwixt the grower or manufacturer and the consumer of articles, in the defective enactments of our *bankrupt-laws* which, under the amiable appearance of solicitude for individual liberty and the encouragement of enterprise, have fostered a system of commercial gambling and fraud, sufficient, with the effects of our *revenue-laws*, to demoralize the whole trading community; and, instead of the open, generous and manly character of British merchants, in the "olden times," to render a *strictly honest trader* nearly as great a rarity, or, at least, as great a *butt* as he would be in a *den of thieves*.

Every unnatural restriction or regulation, when its effects can be fully traced, will be found productive of almost numberless evils; and, if 50 or 100 persons, with the requisite industry and ability, would carefully follow out the moral and physical consequences of our various legal enactments, and, more particularly, our 2000 or 3000 commercial laws, each according to his peculiar acquired or natural capabilities for the task, society might "descant on its own deformity," and yet feel amazed that its *natural* tendency to virtue had preserved it from becoming a still more odious and corrupt mass of rapacious selfishness and roguery. Accum's history of *petty tricks* would sink into insignificance before the *enormities* of such an *exposé*.

Radnorshire .....	1	2	2	—	—	2	—	—	—	—	—	—	—	—	—
Rutlandshire.....	4	8	3	7	4	10	3	8	2	1	2	1	2	2	4
Shropshire.....	18	58	22	63	22	62	22	64	21	15	51	15	49	15	47
Somersetshire .....	47	126	47	129	43	127	41	124	31	89	30	89	31	93	95
Staffordshire .....	23	52	27	65	22	55	24	60	22	54	18	43	20	46	17
Suffolk .....	20	66	17	59	18	61	19	59	19	62	20	66	18	61	19
Surrey .....	12	37	12	37	13	37	13	39	14	35	11	26	8	18	10
Sussex .....	22	73	24	80	22	76	18	64	20	72	16	56	19	65	18
Warwickshire .....	24	65	26	74	24	73	24	79	23	79	23	78	23	78	23
Westmoreland .....	5	19	3	11	3	11	3	11	3	11	4	15	3	9	3
Wiltshire .....	24	79	22	74	22	71	19	60	17	56	17	55	16	52	16
Worcestershire .....	17	51	18	52	16	52	14	45	13	41	14	44	15	47	14
Yorkshire .....	75	257	73	255	71	240	67	223	68	220	62	212	59	199	59
<b>Total.....</b>	<b>739</b>	<b>2,277</b>	<b>761</b>	<b>2,350</b>	<b>793</b>	<b>2,234</b>	<b>699</b>	<b>2,145</b>	<b>643</b>	<b>1,956</b>	<b>585</b>	<b>1,791</b>	<b>576</b>	<b>1,751</b>	<b>587</b>

Stamp Office, Somerset Place, 1st May, 1819.

TEKSDALB COCKELL, Assistant Distributor.

As previously remarked, the above Account does not specify if Bank *Agencies* are included therein as *Banks*; but that they are so included appears probable from the following Extract of a Letter from Mr Wm. LATHAM to the Marquis of LANSDOWN, one of the Committee on the Resumption of Specie Payments by the Bank of England, dated Wakefield, 3d of 3d Month 1819,—“I now beg to advert to the state of the present currency for this important county. The Banking Firms amount to 42, of which, please to remark, one-third are concerned in *other trades* besides that of Banking. I lament to state the fact, that only a portion of the currency in *this part* of the Country, the West Riding, is made up of the notes of responsible Bankers—another part is issued by individuals, merchants, manufacturers, and those not regularly in the trade of Bankers.”

An ACCOUNT of the NUMBER of COUNTRY BANKS in ENGLAND and WALES, for which LICENCES to issue PROMISSORY NOTES have been taken out in each Year, from 1811 to 1818, distinguishing the Number in each COUNTY, and the Number of Partners concerned in the Banks of each County.

County, and the Number of Partners concerned in the Banks of each County

COUNTIES.	1811 to 1812.	1812 to 1813.	1813 to 1814.	1814 to 1815.	1815 to 1816.	1816 to 1817.	1817 to 1818.	1818 to 1819.
	No. of Banks.	No. of Partners.						
Bedfordshire .....	7	16	7	19	7	17	6	17
Berkshire .....	15	3	9	2	6	4	10	29
Buckinghamshire .....	10	22	6	18	6	10	3	2
Berwickshire .....	6	18	8	27	6	25	7	23
Cheshire .....	10	6	6	13	6	7	5	4
Cambridgeshire .....	2	6	2	6	2	6	2	5
Carmarthenshire .....	6	15	6	14	4	10	4	9
Chestire .....	5	12	7	17	7	16	8	4
Cornwall .....	24	68	23	65	22	60	21	54
Cumberland .....	24	32	8	28	7	25	6	22
Derbyshire .....	3	11	4	7	4	9	5	10
Devonshire .....	7	22	9	24	7	28	5	28
Dorsetshire .....	45	148	46	140	44	129	44	130
Durham .....	12	33	15	40	14	39	11	26
Essex .....	19	41	11	49	11	48	11	40
Fife .....	16	50	15	45	15	49	13	41
Glamorganshire .....	9	30	10	28	11	33	12	37
Gloucestershire .....	39	131	39	130	40	132	39	126
Hampshire .....	30	85	34	94	31	85	28	83
Hertfordshire .....	8	24	7	21	9	27	11	23
Hertfordshire .....	11	25	13	27	11	23	12	30
Huntingdonshire .....	6	19	5	16	6	20	5	16
Isle of Anglesey .....	—	—	—	—	—	—	—	—
Kent .....	31	93	39	120	38	111	34	95
Lancashire .....	5	18	5	18	4	13	6	24
Leicestershire .....	9	27	10	55	10	29	13	41
Lincolshire .....	22	60	22	64	23	65	14	39
Merineshire .....	1	2	1	2	1	2	1	2
Middesex .....	6	17	3	9	6	2	5	2
Middlesex .....	10	42	7	26	6	18	5	15
Mongomeryshire .....	4	9	6	11	3	7	2	7
Norfolk .....	19	67	18	65	18	60	17	55
Northamptonshire .....	13	54	14	36	12	33	13	33
Northumberland .....	4	17	5	26	4	17	7	20
Nottinghamshire .....	13	45	14	46	13	44	13	40
Oxfordshire .....	17	55	17	54	15	48	15	50
Penrithshire .....	16	10	5	14	5	12	5	10
Pennsylvanire .....	1	2	—	—	—	—	3	7
Rutlandshire .....	4	8	5	7	4	10	3	8
Shropshire .....	18	58	22	63	22	62	22	64
Shropshire .....	47	126	47	129	43	127	41	124
Staffordshire .....	23	52	27	65	22	55	24	60
Suffolk .....	20	65	17	59	18	61	19	59
Surrey .....	12	87	12	37	13	37	18	39
Sussex .....	22	73	24	80	22	76	18	64
Warwickshire .....	24	65	26	74	24	73	24	79
Wessexland .....	5	19	3	11	3	22	11	31
Whitshire .....	24	79	22	74	21	19	60	17
Worcestershire .....	17	51	18	52	16	45	14	44
Yorkshire .....	257	73	256	71	240	68	223	67
Total .....	749	196	748	223	748	223	748	199

Stamp Office, Somerset Place, 1st May, 1811

As previously remarked, the above Account does not specify by Bank *Agencies* are included therein as *Banks*; but that they are so included appears from the following Extract of a letter from Mr Wm. Latton to the Marquis of Lansdowne, one of the Committee on the Resumption of Specie Payments by the Bank of England, dated Waterfield, 3d of 3d Month 1819.—"I now beg to advert to the state of the present currency for this important country. The Banking Firms amount to 42, of which, please to remark, one-third are concerned in *other trades* besides that of Banking. I lament to state the fact, that only a portion of the currency in this part of the Country, the West Riding, is made up of the notes of responsible Bankers—another part is issued by individuals, merchants, manufacturers, and those not regularly in the trade of Bankers."

TEESDALE COCKE & Assistant Distributors

An ACCOUNT of the Number of BANKS  
taken out in each Year, from 1811 to 18  
in the Banks of each County.

COUNTIES.	—	1811 to 181.	
		No. of Partners.	No. of Bank
1. Edinburgh ...	{ Head Offices of Banks Agencies of Banks ...	617 —	
2. Aberdeen .....	{ Head Offices of Banks Agencies of Banks ...	120 —	
3. Argyle .....	Agencies of Banks ...	—	
4. Ayr .....	{ Head Offices of Banks Agencies of Banks ...	14 —	
5. Banff .....	Agencies of Banks ...	—	
6. Berwick .....	Agencies of Banks ...	—	
7. Bute .....	Agencies of Banks ...	—	
8. Caithness .....	{ Head Offices of Banks Agencies of Banks ...	— —	—
9. Clackmannan ...	Agencies of Banks ...	—	
10. Dumfries .....	{ Head Offices of Banks Agencies of Banks ...	— —	—
11. Elgin .....	Agencies of Banks ...	—	
12. Fife .....	{ Head Offices of Banks Agencies of Banks ...	47 —	1
13. Forfar .....	{ Head Offices of Banks Agencies of Banks ...	183 —	1
14. Haddington ...	{ Head Offices of Banks Agencies of Banks ...	44 —	
15. Inverness .....	Agencies of Banks ..	—	
16. Kincardine .....	Agencies of Banks ...	—	
17. Kinross .....	Agencies of Banks ...	—	
18. Kirkcudbright Stewartry ...	{ Head Offices of Banks Agencies of Banks ...	4 —	
19. Lanark .....	{ Head Offices of Banks Agencies of Banks ...	29 —	11
20. Linlithgow ...	Agencies of Banks ...	—	3
21. Perth .....	{ Head Offices of Banks Agencies of Banks ...	267 —	10
22. Renfrew .....	{ Head Offices of Banks Agencies of Banks ...	28 —	4
23. Ross .....	Agencies of Banks ...	—	2
24. Roxburgh .....	Agencies of Banks ...	—	2
25. Selkirk .....	Agencies of Banks ...	—	2
26. Stirling .....	{ Head Offices of Banks Agencies of Banks ...	21 —	3
27. Wigton .....	Agencies of Banks ...	—	3
Number of Banks in each Year.....		— —	137
Number of Partners .....		1,374	— —

Stamp Office, Edinburgh,  
21st April, 1819.

The above

An ACCOUNT of the Number of BANKS in SCOTLAND, for which LICENCES to issue PROMISSORY NOTES have been taken out in each Year, from 1811 to 1818, and distinguishing the Number in each County, and the number of Partners concerned in the Banks of each County.

COUNTIES.	—	1811 to 1812.		1812 to 1813.		1813 to 1814.		1814 to 1815.		1815 to 1816.		1816 to 1817.		1817 to 1818.		1818 to 1819.		
		No. of Partners.	No. of Banks.															
1. Edinburgh	—	617	7	669	7	689	7	753	6	776	6	756	6	735	6	715	6	
	Head Offices of Banks	—	—	—	—	6	—	5	—	4	—	4	—	5	—	5	—	6
	Agencies of Banks	—	—	—	—	5	—	—	—	—	—	2	100	3	94	3	98	3
2. Aberdeen	—	120	2	118	2	118	2	118	2	99	2	100	3	94	3	98	3	
	Head Offices of Banks	—	—	—	—	5	—	6	—	6	—	6	—	6	—	6	—	6
3. Argyll	—	—	—	—	—	2	—	2	—	—	—	2	—	2	—	2	—	2
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Ayr	—	14	2	13	2	13	2	13	2	13	2	13	2	14	2	14	2	
	Head Offices of Banks	—	—	—	—	5	—	6	—	6	—	6	—	6	—	6	—	6
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Banff	—	—	—	—	—	3	—	3	—	4	—	4	—	3	—	3	—	3
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Berwick	—	—	—	—	—	2	—	2	—	2	—	1	—	1	—	1	—	1
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7. Bute	—	—	—	—	—	2	—	2	—	2	—	2	—	2	—	2	—	2
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Caithness	—	—	—	—	—	1	—	1	—	1	—	1	—	1	—	1	—	1
	Head Offices of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9. Clackmannan	—	—	—	—	—	3	—	2	—	2	—	2	—	2	—	2	—	2
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10. Dumfries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Head Offices of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Agencies of Banks	—	—	—	—	3	—	4	—	4	—	4	—	4	—	4	—	4
11. Elgin	—	—	—	—	—	3	—	3	—	3	—	3	—	3	—	3	—	3
	Head Offices of Banks	47	1	47	1	47	1	47	1	48	1	48	1	47	1	50	1	
12. Fife	—	—	—	—	—	12	—	11	—	11	—	10	—	9	—	9	—	9
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13. Forfar	—	183	3	174	3	280	4	280	4	254	4	260	4	262	4	242	4	
	Head Offices of Banks	—	—	—	—	13	—	13	—	12	—	13	—	11	—	11	—	12
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14. Haddington	—	44	1	58	1	58	1	58	1	57	1	57	1	44	1	49	1	
	Head Offices of Banks	—	—	—	—	3	—	3	—	3	—	3	—	3	—	3	—	3
15. Inverness	—	—	—	—	—	2	—	2	—	2	—	3	—	3	—	3	—	3
16. Kincardine	—	—	—	—	—	1	—	1	—	1	—	1	—	1	—	1	—	1
17. Kinross	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
18. Kirkcudbright	—	4	1	4	1	4	1	4	1	4	1	4	1	4	1	5	1	
	Stewartry	—	—	—	—	1	—	1	—	1	—	1	—	1	—	1	—	1
19. Lanark	—	29	3	30	3	30	3	30	3	29	3	29	3	31	3	38	3	
	Head Offices of Banks	—	—	—	—	11	—	12	—	10	—	9	—	8	—	8	—	10
20. Linlithgow	—	—	—	—	—	2	—	—	—	—	—	—	—	—	—	—	—	—
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
21. Perth	—	267	2	269	2	269	2	269	2	251	2	251	2	258	2	229	2	
	Head Offices of Banks	—	—	—	—	10	—	10	—	10	—	9	—	10	—	11	—	11
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
22. Renfrew	—	28	4	28	4	28	4	28	4	25	4	25	4	25	4	25	4	
	Head Offices of Banks	—	—	—	—	2	—	2	—	2	—	2	—	2	—	2	—	2
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
23. Ross	—	—	—	—	—	3	—	3	—	3	—	2	—	2	—	2	—	2
24. Roxburgh	—	—	—	—	—	2	—	2	—	2	—	3	—	3	—	3	—	3
25. Selkirk	—	—	—	—	—	2	—	2	—	2	—	2	—	1	—	1	—	1
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
26. Stirlng	—	21	3	20	3	20	3	20	3	17	3	11	2	11	2	11	2	
	Head Offices of Banks	—	—	—	—	3	—	3	—	2	—	2	—	2	—	2	—	2
	Agencies of Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
27. Wigton	—	—	—	—	—	3	—	3	—	2	—	4	—	4	—	3	—	3
Number of Banks in each Year.....		—	137	—	138	—	134	—	132	—	132	—	125	—	123	—	128	
Number of Partners .....		1,374	—	1,433	—	1,559	—	1,623	—	1,576	—	1,557	—	1,528	—	1,478	—	

## LIST of BANKS in SCO

### NAMES OF BANKS.

1. The Bank of Scotland .....
2. The Royal Bank of Scotland.....
3. The British Linen Company .....
4. Sir William Forbes and Company...
5. The Commercial Banking Company of Scotland..... }
6. The Leith Bank.....
7. The Commercial Banking Company Aberdeen .....
8. The Aberdeen Banking Company...
9. John Maberly and Company.....
10. The Ayr Bank .....
11. The Kilmarnock Bank .....
12. The Caithness Bank .....
13. The Fife Banking Company .. ....
14. The Dundee New Bank.....
15. The Dundee Union Banking Company .....
16. The Dundee Banking Company.....
17. The Montrose Bank .....
18. The East Lothian Bank .....
19. The Galloway Bank .....
20. Carrick, Brown and Company ..
21. The Glasgow Bank .....
22. The Thistle Bank .. ....
23. The Perth Banking Company ..
24. The Perth Union Bank .....
25. The Greenock Bank .. ....
26. The Paisley Bank Company .....
27. The Paisley Union Bank .....
28. The Renfrewshire Banking Company .....
29. The Falkirk Bank.....
30. The Stirling Bank .....

Total Banks  
" Proprie

Stamp Office, Edinburgh,  
25th April, 1819.

Since the above date, the Kilmarnock  
is found to exist in many single English C  
Bank branches.

LIST of BANKS in SCOTLAND that had Current Licences to issue PROMISSORY NOTES, from 1818 to 1819; showing the Number, Banks, and Agencies in each County, and the Number of Proprietors in each Bank.

NAMES OF BANKS.	Head Offices at	COUNTIES.																														
		Partners.	Banks.																													
1. The Bank of Scotland .....	Edinburgh .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
2. The Royal Bank of Scotland .....	Ditto .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
3. The British Linen Company .....	Ditto .....	2		2		2		2		2		2		2		2		2		2		2		2		2		2		2		2
4. Sir William Forbes and Company .....	Ditto .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
5. The Commercial Banking Company of Scotland .....	Ditto .....	3		3		3		3		3		3		3		3		3		3		3		3		3		3		3		3
6. The Leith Bank .....	Leith .....	15	3	15	3	15	3	15	3	15	3	15	3	15	3	15	3	15	3	15	3	15	3	15	3	15	3	15	3	15		
7. The Commercial Banking Company Aberdeen .....	Aberdeen .....	19	4	19	4	19	4	19	4	19	4	19	4	19	4	19	4	19	4	19	4	19	4	19	4	19	4	19	4	19		
8. The Aberdeen Banking Company .....	Ditto .....	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
9. John Mahery and Company .....	Ditto .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
10. The Ayr Bank .....	Ayr .....	9	3	9	3	9	3	9	3	9	3	9	3	9	3	9	3	9	3	9	3	9	3	9	3	9	3	9	3	9	3	
11. The Kilmarnock Bank .....	Kilmarnock .....	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	
12. The Caithness Bank .....	Wick .....	10		10		10		10		10		10		10		10		10		10		10		10		10		10		10		10
13. The Fife Banking Company .....	Cupar .....	50		50		50		50		50		50		50		50		50		50		50		50		50		50		50		50
14. The Dundee New Bank .....	Dundee .....	12		12		12		12		12		12		12		12		12		12		12		12		12		12		12		12
15. The Dundee Union Banking Company .....	Ditto .....	5		5		5		5		5		5		5		5		5		5		5		5		5		5		5		5
16. The Dundee Banking Company .....	Ditto .....	4		4		4		4		4		4		4		4		4		4		4		4		4		4		4		4
17. The Montrose Bank .....	Montrose .....	3		3		3		3		3		3		3		3		3		3		3		3		3		3		3		3
18. The East Lothian Bank .....	Dunbar .....	101	2	101	2	101	2	101	2	101	2	101	2	101	2	101	2	101	2	101	2	101	2	101	2	101	2	101	2			
19. The Galloway Bank .....	Castle Douglas .....	49		49		49		49		49		49		49		49		49		49		49		49		49		49		49		49
20. Carrick, Brown and Company .....	Glasgow .....	5		5		5		5		5		5		5		5		5		5		5		5		5		5		5		5
21. The Glasgow Bank .....	Ditto .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
22. The Thistle Bank .....	Ditto .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
23. The Perth Banking Company .....	Perth .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
24. The Perth Union Bank .....	Ditto .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
25. The Greenock Bank .....	Greenock .....	8		8		8		8		8		8		8		8		8		8		8		8		8		8		8		8
26. The Paisley Back Company .....	Paisley .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
27. The Paisley Union Back Company .....	Ditto .....	1		1		1		1		1		1		1		1		1		1		1		1		1		1		1		1
28. The Renfrewshire Banking Company .....	Greenock .....	149	4	149	4	149	4	149	4	149	4	149	4	149	4	149	4	149	4	149	4	149	4	149	4	149	4	149	4			
29. The Falkirk Bank .....	Falkirk .....	80	3	80	3	80	3	80	3	80	3	80	3	80	3	80	3	80	3	80	3	80	3	80	3	80	3	80	3	80		
30. The Stirling Bank .....	Stirling .....	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	5	1	
Total Banks .....		12	9	12	9	12	9	12	9	12	9	12	9	12	9	12	9	12	9	12	9	12	9	12	9	12	9	12	9	12		
Proprietors .....		715	98	715	98	715	98	715	98	715	98	715	98	715	98	715	98	715	98	715	98	715	98	715	98	715	98	715	98	715	98	

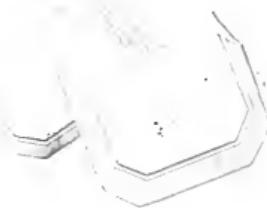
Stamp Office, Edinburgh,  
23rd April, 1819.

No List of Proprietors received from the Bank of Scotland, or the Royal Bank of Scotland.

THOMAS PENDER, Comptroller.

Since the above date, the Kilmarnock and Castle Douglas Banks have been wound up, and the Shetland Bank established; thereby reducing the total number of Banks in Scotland to 29, (exclusive of Branches, which have been rather increased lately)—a smaller number than is found to exist in many single English Counties. It may be proper to observe, that the above two Banks were understood to have withdrawn from no previous disaster, but solely for private reasons amongst the partners; and that their place has been supplied by two or three Bank branches.





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